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WEATHER DATA APPEAR ON PAGE 18

Peace Panel

Cites Struggle

For Solidarity

By John Vinocur

New York Times Service

er of Solidarity, the outlawed Po-

lish trade union, was awarded the 1983 Nobel Peace Prize on

Wednesday for his struggle for

The prize citation from the Nor-

wegian Nobel committee described

Mr. Walesa as an "inspiration and

an example" and as "an exponent

of the active longing for peace and freedom which exists, in spite of

unequal conditions, unconquered

The committee's chairman, Egil Aarvik, compared the Polish leader

to two previous laureates, the Rev.

Martin Luther King Jr. and Andrei D. Sakharov, the Soviet dissident.

Each man, he said, had furthered

the cause of peace through his work in favor of human rights. Mr. Walesa, an electrician, was a

leader of the shipyard strike in

Gdansk in August 1980 that led to

the Polish authorities allowing the

establishment of a free trade union,

an unparalleled event in the history of Soviet-dominated Eastern Eu-

cember 1981 and Mr. Walesa was

interned for 11 months until his

release in November of last year.

The Solidarity union was banned.

40, with the committee's full expec-

tation that it would irritate the

Polish government. The labor lead-

er has come under strong attack by

state-controlled Polish news orga-

nizations and a connection was

seen here between this and the pos-

sibility that he would win the peace

"I don't expect any thanks or gratitude from the Polish authori-

ties," Mr. Aarvik said, "but I can

imagine that the attitude of the

Polish people will be very differ-

The award went to Mr. Walesa,

Martial law was declared in De-

in all the peoples of the world."

workers' rights.

OSLO - Lech Walesa, the lead-

ESTABLISHED 1887

PARIS, THURSDAY, OCTOBER 6, 1983

#### U.S. Rejects **New Soviet** Trade Ban

No. 31,298

#### Advisers Sought Oil, Gas Controls

By Clyde H. Farnsworth New York Times Service

WASHINGTON - The Reagan administration, ignoring the recommendation of an interagency advisory group made shortly after the Sept. 1 destruction of a South Korean sirliner, has decided against tightening controls over exports of oil and gas equipment to the Soviet Union, according to administration officials.

The decision, disclosed Tuesday, signals a reluctance to put further bars on trade with Moscow, and helps the United States avoid new trade frictions, such as those arising from last year's sanctions against selling equipment for con-struction of the natural gas pipeline from Siberia to Western Europe.

The Russians have announced their intention to begin a huge oil exploration and drilling program in the Barents Sea similar to U.S. ef-forts on the North Slope of Alaska over the last decade.

Because its oil production has peaked, the Soviet Union is expectfind new oil with equipment pur-chased largely from the industrialized nations.

Discussions with some American business leaders are expected during the Agribusiness U.S.A. 1983 exhibition that is being put on by the U.S.-U.S.S.R. Trade and Economic Council from Oct. 18 to 25 in Moscow, according to officials.

The administration's decision appears to represent a victory for ecretary of State George P. Shultz and Commerce Secretary Malcolm Baldrige and a defeat for William P. Clark, the national security adviser, who had urged tougher ac-tion, as recommended by a lower-

level interagency advisory group. This body, under the chairmanship of Lawrence J. Brady, assistant secretary of commerce for trade administration, proposed on Sept. 13 that 17 oil and gas exploration products be placed under national security export controls instead of foreign policy controls that

now apply.

Under national security controls, the Defense Department, which has generally opposed most trade with the Russians, has a major say. Under foreign policy controls, the State Department, which is less opposed, has a major say.

Mr. Shultz and Mr. Baldrige, who form a strong pro-trade alli-ance in the cabinet, were both re-

INSIDE

of steel to contain the Soviet

■ Sophisticated is the word for Gianni Versace's fashion col-

American couples are far

more conventional than expect-

ed about sex, money and work,

a new report says, while U.S.

experts find a marked decrease

New York stocks surged. The Dow rose 13.51. Page. 11

The Philippines devalued the

peso by 21.4 percent. Page 11.

W The Bank of Montreal is to

buy Harris Bankcorp. Page 11.

■ The boom on world stock

markets receded in the third

The British-Chinese talks

continue to dominate economic

life in Hong Kong. Page 7.

A SPECIAL REPORT

Page 15.

BUSINESS/FINANCE

lection in Milan.

SCIENCE

in casual sex.

Page 4.

ported to be angry that their subor-Union's major demands. linates had not pressed their case harder in the interagency group. cendiary with a letter dated Sept. 19 from Mr. Clark urging the two cabinet officers to carry out the decisions. Mr. Clark was apparently acting on his own behalf and not on the president's, according to of-

ficials on both sides of the issue. airliner last month. "Although this process was proceeding independent of the KAL shootdown, the recommendation for this adjustment for these hightechnology strategic items could be Mr. Clark wrote. The letter was likened by one source to "a hand grenade in the (Continued on Page 2, Col. 5)

R. James Woolsey, an undersec-retary of the navy in the Carter



Edward L. Rowny, left, the chief U.S. negotiator at the Geneva talks on limiting strategic weapons, and Viktor L. Karpov, the chief Soviet negotiator in Geneva on Wednesday. Tass said the United States was offering "nothing but words" in its latest arms proposal. Page 2.

#### Redesigning the Arms Control Talks peaked, the Soviet Union is expected to spend \$25 billion trying to Reagan Proposals Are Giving Congress a Bigger Voice

By Leslie H. Gelb

New York Tunes Service WASHINGTON - President Ronald Reagan's new strategic arms proposal is widely seen here as a significant advance toward compromise with the Soviet Union that will make arms control policy a tougher target for domestic crit-

In the proposal, which was for-mally aunounced Tuesday, Mr. Reagan met the main concerns of an influential group of legislators and defense specialists by agreeing to redesign the so-called builddown idea, which provides that the deployment of new warheads must be accompanied by the destruction of older ones.

Under the proposal, the deploy-ment of powerful fixed, land-based missile warheads would result in more warhead reductions than deployment of sea-based and mobile nd-based missile warheads, so that modernization would be channeled toward less vulnerable and

By showing a willingness to re-duce the number of bombers, and by putting lower limits on planned bombers that carry air-launched cruise missiles and on the highly accurate D-5 submarine-launched missile, the administration also moved to meet some of the Soviet

This does not mean that administration officials think Moscow will respond eagerly or positively or resolved. For the moment at least, they see Soviet leaders as ill-disposed toward dealing with the administration because of the shooting down of the South Korean

In recognition of this, officials said there was considerable senti-ment in the administration against making the proposal to the Soviet delegation in Geneva at this time. Instead, some are suggesting a de-lay until the atmosphere improves and until Secretary of State George P. Shultz might go to Moscow and present the ideas directly to Soviet

Nor does it mean that the congressional critics and outside exinto the negotiating delegation, "to watch things," as a legislator put it.

administration and a member of the President's Commission on Strategic Forces, will join the delegation when talks resume in Gene-existing proposal. That calls for a va this week. Further, according to officials, he is expected to become a member, if not the chairman, of a 5,000, plus a formula for closing proposed special working group to discuss the build-down idea with

#### **NEWS ANALYSIS**

if Moscow agrees, is seen by a number of legislators and officials as a way of getting around Edward L. Rowny, the chief U.S. negotiator, whom they see as an obstacle to a

Officials said Mr. Rowny and Kenneth L. Adelman, the director of the Arms Control and Disarmament Agency, were the strongest opponents within the administration of the proposals. They were said to have argued that the United by changing its negotiating posi- posed 8,000. tion too many times under domestic pressure.

In the formal negotiations in Geneva, Mr. Rowny will be instructed reduction in each side's missile warheads by about one-third to the 3-to-1 Soviet advantage in missile throw-weight, or payload.

Moscow wants to put a ceiling This group, which will operate on all "nuclear charges," that is, parallel to the formal negotiations. missile warheads, bombs and airlaunched cruise missiles, and does not want any limits on throw-

To make the new U.S. approach more attractive, Mr. Rowny is instructed to drop the subceiling of 2,500 land-based missile warheads within the overall 5,000-warhead limit. This would permit Moscow to keep more of its powerful land-

Officials said the administration was prepared to reduce its strategicbomber fleet to below 400 and limit the number of cruise missiles launched from the bombers to 3,500 instead of the previously pro-In the proposed parallel talks to

## Nobel Prize Goes to Walesa

#### West, Church Hail Choice; Regime Silent

Compiles by Our Staff From Dispetche GDANSK, Poland - Lech Walesa gave a shout of joy Wednesday and was tossed in the air by friends as they learned that he was the

Mr. Walesa said they heard the news on a car radio as he drove with friends on a mushroom-picking trip in woods about 50 miles (80 kilometers) from Gdansk.

On his return to his apartment in Gdansk, Mr. Walesa was greeted by a crowd of about 1,000, who chanted his name and the name of the outlawed Solidarity trade union

Leaning from his apartment window, Mr. Walesa said he would donate the cash award of 1.5 million Swedish kronor, about \$190,000 to a proposed Roman Catholic Church fund to channel aid to Poland's private farmers.

Mr. Walesa said he would not seek to go to Norway himself but would ask permission from the authorities for his wife, Danuta, to go to accept the award for him. There was no immediate official reaction from the authorities, but

Andzej Konopacki, a government spokesman, said, "The award used to mean something. This depreci-ates the prize. It's politically moti-State radio made no mention of

the award on its midday news bulletin, and nearly four hours after the announcement had been made in Oslo the official news agency, PAP, had not reported it. Henryk Brunke, a spokesman for

Poland's Roman Catholic Episcopate, said, "He deserved the award. He needs it to keep up his spirits." In Vatican City, Pope John Paul

Il sent his "cordial congratulations" in a telegram to Mr. Walesa, praising him for trying to solve the problems "of the workers and society" in Poland. He added that the efforts were undertaken "through a peaceful way of sincere dialogue and reciprocal cooperation of all."

The Polish-born pontiff has been strong supporter of Solidarity. Western governments hailed the great honor for the individual, choice Wednesday as a tribute to a and the Labor Party's new leader, struggle for freedom. In the Soviet

bloc, however, the news was stifled. In Washington, Larry M. the Geneva-based International protest the award, the news agency (Continued on Page 2, Col. 7) Speakes, the chief White House Labor Organization, said the said.



Lech Walesa, winner of the 1983 Nobel Peace Prize.

Reagan was "gratified that Lech Walesa and all those in Poland who fought so long and hard for peace-

ful change" had been recognized. In Paris, Prime Minister Pierre Mauroy said Mr. Walesa "is a man who struggles for freedom in an almost universal way. We like to see in this the symbol of all those in the world who struggle against dictatorship and high-handedness."

Chancellor Helmut Kohl of West Germany congratulated the Polish labor leader, saying, "Your courage, the solidarity of your friends and the firm faith of the Polish people are an encouraging example for all people concerned about the cause of freedom."

In London, Prime Minster Margaret Thatcher's office said, "It is a Neil Kinnock, said, "Lech Walesa

spokesman, said President Ronald award "has given recognition to a worker and to the crucial importance of the principle of freedom of association.

In Hollywood, Florida, Lane Kirkland, president of the Ameri-can Federation of Labor and Congress of Industrial Organizations, told a meeting of labor delegates, "It is incumbent on us ... to add what we can to the worldwide demand that he go to Stockholm to receive that prize."

■ Bomb Threat in Stockholm

The Stockholm Stock Exchange building, which also houses the Swedish Academy of Letters, was evacuated Wednesday after a caller said a bomb had been placed there to protest the awarding of the peace prize to Mr. Walesa, The Associated Press quoted the national news

agency TT as reporting.

An anonymous caller from Italy to the Academy of Letters said the Red Bridgades terrorist group had François Blanchard, president of placed a bomb in the building to

raelis in the midst of a dollar-buv-

ing frenzy provoked by fears of an

The committee's citation was itself unlikely to please the Polish authorities; it described them at the time of the Gdansk strikes as being finally forced to capitulate and negotiate with Walesa Candidates for the peace prize

are nominated by members of any elected parliament, previous Nobel laureates, and some scholars, as well as the five members of the Nobel selection committee, itself chosen by the Norwegian parliament. The prize carries a medal and a stipend of 1.5 million Swedish

kronor (\$190,000).

Jakob Sverdrup, the committee secretary, said Mr. Walesa had been nominated by many parliamentarians and was chosen from

an overall group of 79 candidates, In reaching its decision, the com-mittee said it "has taken into account Walesa's contribution, made with considerable personal sacrifice, to ensure the workers' right to establish their own organizations. This contribution is of vital importance in the wider campaign to secure the universal freedom to organize - a human right as defined by the United Nations." Lech Walesa's activities, it said.

"have been characterized by a determination to solve his country's problems through negotiation and cooperation without resorting to violence. He has attempted to establish a dialogue between the orgarrization he represents - Solidarity - and the authorities."

The committee said, moreover, that it believed "Walesa's attempt to find a peaceful solution to his country's problems will contribute to a relaxation of international ten

The labor activist had been nominated for the award last year (Continued on Page 2, Col. 1)

## Death Needle in Arm. **Texas Killer Gets Stay**

David Autry was lying strapped to after his execution was to have paring the case, the condemned heen carried out, that a U.S. Supreme Court justice had granted him a reprieve.

alty demonstrators shook their fists

Justice Byron White granted the stay at 11:32 P.M. Tuesday, based ty," that is, whether the sentence was comparable to those given oth-

A saline solution was already of chemicals when the reprieve was of the undersigned."

granted, prison officials said. He was told there would be a delay.

At 12:05 A.M., after state offia death chamber stretcher with a cials had tried to have the stay needle in his arm early Wednesday overturned but found themselves when he was told, four minutes with a 30-minute deadline for pre-

Fifty minutes before the scheduled time for the execution, 12:01 A.M. Justice White had received an application for a stay from the American Civil Libertics Union.

Justice White noted that the full court planned to hear arguments in a California case Nov. 7 on whether states must compare all death sentences to other punishments meted

out for similar crimes. The 9th U.S. Circuit Court of Appeals has ruled in the California case that such a "comparative proportionality review" is constitu-

Mr. Autry's execution pending the

#### economic clampdown once he took office. The rush into dollars, Swiss francs, West German marks and Japanese ven forced some banks to close down foreign-currency

Israeli Deputies Relent,

Open Way for Coalition

ter-designate Yitzhak Shamir told the Knesset Wednesday that he had formed a coalition and asked parliamentary deputies to meet Monday for a vote of confidence. Six deputies from the ruling Li-kud coalition dropped their de-

JERUSALEM -- Prime Minis-

mand for a national unity government, lifting the last obstacle to the formation of a new administration. The maverick deputies announced that they were abandoning their condition that Mr. Shamir reopen talks with the opposition Labor Party on sharing power.

"I still hope for a miracle, but if one doesn't occur, I am still a member of the Likud and I will vote for Yitzhak Shamir," said Dan Tichon, one of the six.

Another member of the group, former Energy Minister Yitzhak Berman, said the six were convinced Mr. Shamir had given Labor enough time to decide whether to join a government of national unity.
"We said 10 days were a reason-

able period and, in effect, 10 days were given," Mr. Berman said. "We demanded more time and another eight days were given. I cannot say Shamir did not fulfill his obliga-Unity talks collapsed last week against uniformity and boredom in a bureaucratic and repressive sys-

over differences on Jewish settle-ment, with the Likud rejecting Ladiscourage conscientious objectors. tem. Some are interested in ecology bor's call for limiting the outposts to sparsely populated Arab areas. If a draftee fails to make his decla- and civil rights. Many - a majority At least three of the six dissident They have organized peace workshops, poetry readings and art

deputies said they would vote for the government. With their support and that of the ultraorthodox Agudath Israel party, Mr. Shamir can look forward to a majority government in the 120-seat Knesset. Israeli newspapers said Mr. Sha-

mir promised the Agudath Israel, which holds four seats, that he would ensure the passage of con-troversial religious legislation during the Knesset's winter session. The bills propose toughening cri-

teria for conversion to Judaism, restricting archeological digs in areas where human remains might be found, banning the raising of pigs and ceasing construction of a swimming pool in an orthodox Jerusalem neighborhood.

Labor and several members of the Liberal wing of the Likud accused Mr. Shamir of giving in to religious blackmail.

The announcement that Shamir had a coalition caught Is-

#### Banking sources said Tuesday's foreign currency purchases totaled \$20 million to \$25 million, almost three times the usual daily amount. The three-day run on the Israeli shekel prompted emergency meetings between the heads of Israel's five largest banks and Finance

steps were announced. ■ Haddad in Israeli Hospital Saad Haddad, the Israeli-backed

Minister Yoram Aridor and Bank

of Israel officials. No immediate

Lebanese militia chief in Lebanon, will be discharged soon from a Haifa hospital. Reuters reported from Tel Aviv. A spokesman refused to comment on reports that Major Haddad had cancer.

# The Associated Press

HUNTSVILLE, Texas - James

Mr. Autry, 29, who was con-demned to death for killing a store clerk in 1980 over a six-pack of beer, showed no reaction at the ruling, officals said.

Outside the prison, however, a crowd of about 200 pro-death-penand chanted an obscenity when they heard of the stay.

on the question of "proportionalier people for similar crimes.

tionally required. Justice White said he would stay

running into Mr. Autry's arm in final disposition of the appeal or preparation for the lethal injection "until further order of the court or

#### ■ Soviet and U.S. officials have perts who helped fashion the proposal believe their job is done. In a started discussing suggestions that Moscow may have violated move several legislators and outside experts described as of great arms control pacts. Page 3. importance, these elements suc-**■ Caspar Weinberger** has told ceeded in putting one of their own China that it needs a great wall

Anti-Missile Movement Grows in East Germany By Henry Tanner

International Herald Tribune BERLIN - There was a "blues Mass" Friday night at the Protestant Church of the Redeemer in Rummelplatz, a suburb of East Berlin, and the word had spread.

From six o'clock on, the big redbrick, neo-gothic church was jammed with teen-agers and young adults — two thousand at a time who had come from all over the country, some with alceping bags and rucksacks, to listen to the drums and guitars, the skits, sermons and prayers.

As one capacity crowd attended the hourlong peace program, another built up impatiently outside, then pushed in through the side doors as the earlier participants filed out through the main gate.

The tone of the program was

bold and it illustrated the fact that

East Germany, alone among the

countries of the Soviet bloc, has a

genuine peace movement that opposes rearmament in both East and "God does not want missiles, neither Pershings nor SS-20s," said the bearded young man who led the prayer. God wants the mad "spiral

of arming" stopped on both sides, but training and serve mostly in terculture and a personal rebellion he said, and on both sides there are politicians who want power, not

neace. · In a skit, the actors tore up a gleaming rubber ball — a symbol of the world - as they wrestled over it, pulling it back and forth

and arguing over its shape. Bold red lettering on a white screen proclaimed the theme of evening: "Dare to Live."

Another young man received thunderous applause for a sermon in which he urged the young to dare to live according to their convictions. He called on them to make their own decisions "even in the face of harassment and provocations," especially on the question of whether to refuse to bear arms, a reference to conscientions objectors in East Germany, whose numbers are growing.

Under the law, unique in the

Eastern bloc, East Germans have

the right to declare, at the moment

of being drafted, that they do not

want to bear arms for reasons of

conscience. They become Bausol-

daten - "building soldiers." They

wear uniforms but receive no com-

and no chance of advancement. growing, according to official sources. Under the system, which has been in force since 1964, there

GUARD CHANGES -- Michael Foot, the outgoing leader of Britain's Labor Party,

making his final report to the party's annual conference at Brighton. The party reaffirmed on Wednesday that it would dismantle the country's nuclear forces. Page 3.

construction units.

Despite the law, the state tries to

ration to the recruiting officer at

the right moment and in the right

way, he is required to serve. Out-

right refusal is punished with pris-

East German militants actually reject the term "peace movement? Its followers are not numerous enough or organized enough to constitute a movement, they say. They comprise small groups in separate cities and they often have

A Bousoldat carries a stigma for life. He has little chance of going to spread the message that "peace is university or of getting a decent job Yet every year there are about nuclear arming. 400 objectors and the number is

are now about 8.000 former Bousoldaten, men between 20 and 40, many of whom are a driving force in the peace movement. The church has said officially that it has no peace movement but is deeply involved in "peace work."

different motives. Some come from rock music groups. Others arise from the coun-

They write letters to the authorities and slogans on walls, and they unarmed." It is their answer to the government's slogan, "peace must be armed," which justifies Soviet

exhibits on violence and peace.

- are committed Christians.

They find themselves under constant surveillance by plainclothesmen. They are harassed and often arrested, and many of them have sought strength and protection in the church, which in East Germany is almost exclusively Protestant.

It has opened its doors to the protesters but in exchange demands restraint, according to sources. In the city of Halle, Lothar Rochan, a deacon and one of the most

militant peace activists in the coun-(Continued on Page 2, Col. 5)

## Druze Calls For New Formula With Guarantees For Israel

By Marvine Howe

New York Three Service ATHENS - The Lebanese Druze leader, Walid Jumblat, called Wednesday for "a new formula" that would guarantee Lebanon's independence as well as the security of Israel's northern bor-

The Lebanese opposition leader said that his recent move to set up a local administration in the Chuf mountains was not a "separatist"

Lebanese government. Mr. Jumblat said at a news conference here that he had come to thank Greece's Socialist governand understanding of the Lebanese

nese-Israeli agreement governing any new formula. Israeli troop withdrawal from Leb-Mr. Jumblat re

Jumblat said, adding that the oppo-sition does not consider the Israeli-Lebanese treaty viable.

conciliatory position, the Druze leader said that a new formula action and stressed that he was ready to cooperate with the central Lebanese government.

could preserve Lebanese independence and "guarantee the so-called peace of Galilee," an indirect reference and "guarantee the so-called peace of Galilee," an indirect reference and "guarantee the so-called peace of Galilee," an indirect reference and "guarantee the so-called peace of Galilee," an indirect reference and "guarantee the so-called peace of Galilee," an indirect reference and "guarantee the so-called peace of Galilee," an indirect reference and "guarantee the so-called peace of Galilee," an indirect reference and "guarantee the so-called peace of Galilee," an indirect reference and "guarantee the so-called peace of Galilee," an indirect reference and "guarantee the so-called peace of Galilee," an indirect reference and "guarantee the so-called peace of Galilee," an indirect reference and "guarantee the so-called peace of Galilee," an indirect reference and "guarantee the so-called peace of Galilee," an indirect reference and "guarantee the so-called peace of Galilee," an indirect reference and "guarantee the so-called peace of Galilee," and indirect reference and "guarantee the so-called peace of Galilee," and indirect reference and "guarantee the so-called peace of Galilee," and indirect reference and "guarantee the so-called peace of Galilee," and indirect reference and "guarantee the so-called peace of Galilee," and indirect reference and "guarantee the so-called peace of Galilee," and indirect reference and "guarantee the so-called peace of Galilee," and indirect reference and "guarantee the so-called peace of Galilee," and indirect reference and "guarantee the so-called peace of Galilee," and "guarantee the so-called peace ence to Israel's northern border with Lebanon.

> At the same time, he said that world" and that neighboring Syr-

#### ment and people for their support Lebanon's "lungs are in the Arab problem. The Greek government ia's economic and security interests "neutral observation force" to oversee the truce that began Sept. Walesa Wins Nobel Prize;

when it was given to Alva Myrdal of Sweden and Alfonso Garcia Robles, a Mexican diplomat, for their work as disarmament advocates.

Mr. Walesa was regarded as a strong favorite this time, and some Norwegian photographers appeared at Nobel headquarters here with pictures of the Polish leader they had prepared in advance for Mr. Suziman, who are anti-apartned activists from South Africa, and Simon Wiesenthal, the hunter of Naziwar criminals.

The remaining Nobel prizes are to be announced in Stockholm during the next 12 days, starting with the interactive award Thursday.

sidered strong contenders for the prize were Elie Wiesel, the author

#### Yugoslavia May Ban Tito Mementos

BELGRADE — The wearing of teeshirts, badges and tiepins bearing the name or picture of the late President Tito would be banned under a proposed new law in Yugoslavia.

The newspaper Politika said Wednesday that the draft law, which is to be debated later this year, was aimed at preventing Tito's name from being exploited for commercial profit.

The new law will end a private, small industry in Yugoslavia in clothing and badges decorated with the portrait and name of Tito, the founder of modern Yugoslavia, who died three years ago.

had seen the dangers of the Leba- must be taken into consideration in

anon, the Druze chief said. involved in the National Dialogue forces of becoming directly inshould find another formula," Mr. volved when they had shelled

In what appeared to be a new,

Commission, Philip C. Habib, the U.S. Middle East peace negotiator, Bishop Desmond Tutu and Helen Suzman, who are anti-apartheid ac-

Warn Reagan on Watt

**Panel Cites Work for Union** 

WASHINGTON — Senate Republican leaders have let the White House know that if Interior Secretary James G. Watt does not quit soon, they will be unable to block ty to provide for its own security what could be an overwhelming and defense," The Associated Press vote calling for his dismissal, Re-nublican congressional sources The proposed sale, outlined in a publican congressional sources

During surgery, even though an operating

room has been scrupulously sterilized, infection

can be caused by anaerobic bacteria that live in

the human body. To reduce this danger, Rhône-

Poulenc has developed an anti-infective drug

which can be used before or after surgery when

complications are liable to set in. Widely used in

Europe, it is fair to say it has saved a good

terizing appointees to an advisory States has provided Lebanon with panel as "a black, ... a woman, two
Jews and a cripple."

more than 200 armored troop carriers, and more than 100 M-48 tanks.

AMMAN, Jordan (Reuters) — Chancellor Helmut Kohl of West Germany arrived in Jordan on Wednesday at the start of a three-nation Mideast tour designed to promote Bonn's ties with Arab states and

Mr. Jumblat repeated criticism of the U.S. role in Lebanon, accus-"The parties concerned or to be ing the American peacekeeping Druze positions at Souk el-Garb last month.

"We wonder if they are in Lebanon to guarantee national entente and guarantee the independence of Lebanon and sovereignty or just to support the regime of Mr. Amin Gemayel," he said. [In Beirnt, President Gemayel

agreed Wednesday to a Syrian and Druze condition to accept observers from nonaligned nations to su-pervise a Lebanese cease-fire. [Khalil Mekkawi, acting secretary-general of the Foreign Ministry, said at a news conference that efforts were under way to create a

26 after three weeks of civil war.] ■ Tanks Blast Shifte Positions Army tanks blasted Shiite Moslem positions in the southern Bei-rut suburbs Wednesday after suiping and rocket-grenade fire at army positions nearby, The Associated Press reported from Beirut.

Police in Tripoli, Lebanon's second largest city, 80 kilometers (50 miles) north of Beirut, said six persons were killed as pro-Syrian Alawite and anti-Syrian Sunni militias battled through the night Tuesday with mortars, rockets and machine guns.

The cease-fire violations prompted Saudi Arabia, which helped negotiate the latest truce, to warn that the civil war could be

**■** U.S. Sends Lebanon Arms The Pentagon moved Wednes-day to sell Lebanon an additional 253 armored troop carriers and machine guns "to increase its capabili-

formal letter to Congress, is the said Wednesday. formal letter to Congress, is the But President Ronald Reagan, latest in a series of steps by the meeting with a group of newspaper Reagan administration under a publishers, stuck by Mr. Watt, say- year-old program to rebuild and ing that he "has done a fine job for retrain the Lebanese Army so it can our country." The interior secre- assume responsibility for maintaintary has come under fire for characing security. Previously, the United

Medical research is only one of Rhône-

Poulenc's many activities. In more than 90 coun-

tries. Rhône-Poulenc is finding today the ans-

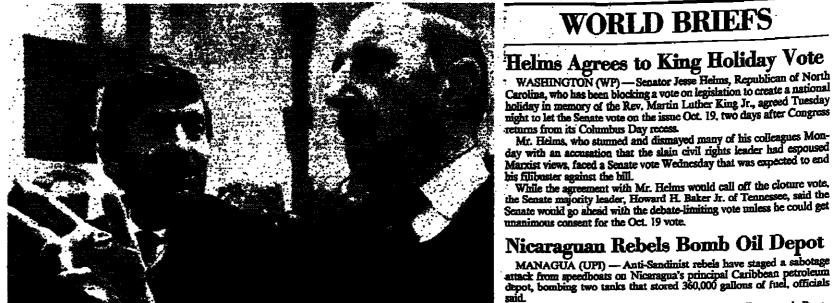
protection and communication systems, as well

wers to tomorrow's needs; in textiles, crop

Kohl Begins Mideast Tour in Jordan

discuss Mideast peace prospects.

Mr. Kohl was welcomed in Amman by Prime Minister Mudar Badran as a Jordanian military band played a waltz.



Prime Minister Rund Lubbers, left, and Joseph Luns, the NATO secretary-general, at the opening session of the 29th annual meeting of the North Atlantic Assembly in The Hague.

## Rowny Presents New U.S. Arms Plan: Tass Calls Latest Offer Just 'Words'

sented President Ronald Reagan's

Meanwinte, the Soviet Union, in a statement by the news agency Tass, reacted to Mr. Reagan's speech in Washington on Tuesday, saying the United States was trying to suggest that its arms proposals had changed for the better.

The U.S. negotiator was to present Mr. Reagan's latest proposal — the so-called build-down concept, calling for an annual 5-percent destruction of older U.S. and

came to the core of the problem it became clear that it was nothing ing Wednesday afternoon. but words, words which have nothing to do with actual deeds."

Mr. Rowny said he hoped to es-

tablish a "framework for agree-ment" with the Russians in the coming months.

In a related development, the U.S. State Department said in Washington that there seemed to be little new in a Soviet call Tuesday for a nuclear weapons freeze but promised to study it. The prol was made in a statement by Oleg Troyanovsky, a Soviet dele-gate, speaking for Foreign Minister Andrei A. Gromyko at the United Nations General Assembly in New

U.S. allies welcomed Mr. Rea-gan's proposals. But in West Germany, thousands of people stopped work for five minutes at midday to protest the scheduled deployment of U.S. Pershing-2 and cruise missiles in December.

In The Hague, Prime Minister Rund Lubbers of the Netherlands said Wednesday, at the formal

Mr. Rowny and Mr. Karpov met new proposals to Viktor L. Karpov, the chief Soviet negotiator.

Meanwhile, the Soviet Union, in a statement by the news agency

cent destruction of older U.S. and "However," Tass said, "when it Soviet strategic nuclear warheads -to Mr. Karpov at a private meet-

> Under the build-down proposal old weapons would be scrapped for each new one installed, possibly at a ratio of at least 2 to 1, to achieve a one-third cut in warhead arsenals. There is a great deal in it for the

Rowny said at a press conference. Mr. Rowny read a statement calling the Sept. 1 downing of a South Korean airliner by the Soviet Union "reprehensible" but pledging to "continue our efforts to bring about an agreement which would lower the threshold of nucle-

ar terror in the world."

Compiled by Ow Stelf From Dispatches opening of the North Atlantic AsGENEVA — Edward L. Rowny, sembly, that North Atlantic Treaty the chief U.S. negotiator at the strategic arms reduction talks, arrived in Geneva on Wednesday and prefere and nuclear missiles

"We return to Geneva," he said, "despite the climate created by the recent tragic events, with instructions to move the negotiations forward and we are determined to do

Among U.S. allies, Mr. Reagan's latest offer was warmly welcomed. Joseph Luns, the NATO secretary-general, said the alliance's strategy had to be politically ac-ceptable in the broadest sense. But he said that people calling for a delay in missile deployment ig-nored Moscow's cynical buildup of

arms over the past four years.
Foreign Minister Hans-Dietrich Genscher of West Germany called on Moscow to break the impasse in strategic arms talks.

"It is now up to the Soviet Union to take concrete steps," he said. In London, a spokesman for Prime Minister Margaret Thatcher Soviet Union as well as for us," Mr. of Britain said Mr. Reagan's offer was "further evidence of the American desire to reach agreement."

As Mr. Reagan offered his pro-posal, Moscow repeated a call at the United Nations for a nuclear weapons freeze, an idea repeatedly rejected by Washington on the ground that it would sanction Soviet nuclear superiority.

#### The Youth in East Germany The Youth in East Germany Spread a New Theme: Peace The Youth in East Germany The Youth in East Germany The Youth and been cleared because of judicial irregularities committed during the police raid on their apartment in subjurban. Vincennes and their subsequent questioning. The court said one of the irregularities was that the two senior police officers in the raid did not have the necessary power to carry it out.

(Continued from Page 1)

some spectacular demonstrations. In the spring his superiors apparently decided his methods were too provocative and he was fired from his post as deacon.

but, without his church connection. he was arrested. He was sentenced to three years in jail for disturbing the peace, and other members of his group also were jailed.

Protests by his supporters in a suburb of Halle turned to violence. Church authorities and others reportedly are seeking quietly to obtain his release. Informed sources say it is possible, even likely, that he will show up in West Germany under one of the periodic ransom arrangements — usually 50,000 to 60,000 Deutsche marks (about \$19,000 to \$22,000) — that West German organizations negotiate with the East German regime. Many East German peace mili-

ny, some deported against their will way to leave the country. The gov-

nunist Party daily civilian regime in Buenos Aires will end the state or was civilian during the civilian regime in Buenos Aires will end the state or was civilian during the civilian regime in Buenos Aires will end the state or was civilian regime in Buenos Aires will end the state or was civilian regime in Buenos Aires will end the state or was civilian regime in Buenos Aires will end the state or was civilian regime in Buenos Aires will end the state or was civilian regime in Buenos Aires will end the state or was civilian regime in Buenos Aires will end the state or was civilian regime in Buenos Aires will end the state or was civilian regime in Buenos Aires will end the state or was civilian regime in Buenos Aires will end the state or was civilian regime in Buenos Aires will end the state or was civilian regime in Buenos Aires will end the state or was civilian regime in Buenos Aires will end the state or was civilian regime in Buenos Aires will end the state or was civilian regime in Buenos Aires will end the state or was civilian regime in Buenos Aires will end the state of the state o

Mr. Honecker told the Lutherische Monatshefte in an interview: "This goes especially for efforts to avoid the danger of a nuclear world

to accept new missiles that the Soviet Union has threatened to de-

committee, were asked to resign.

resignation reflecting differences of

opinion on East-West trade policy.

The denial of an export license to

a Hugher Tool Co. subsidiary to sell \$40-million worth of submers-

ible drilling pumps was also part of the Brady recommendations. It was unclear where the company's appli-cation now stood. "We've heard

nothing one way or the other, and

as far as we're concerned, it's still pending," said Donald L. King, a spokesman in Houston.

At the same time, trade officials

said that the administration ap-

peared to be ready to announce a

major tightening of controls on ex-ports of big-ticket items in oil and

gas, transportation and communi-cations to Libya in retaliation for

the Libyan intervention in Chad.

Marie-Martine

Leader in fashion

SUPERB NEW

COLLECTION

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ernment is sometimes willing to give troublemakers the exit visa that others cannot get.

Argentina would be more willing to agree to a peaceful settlement than the junta. Argentina was defeated in last year's 74-day war with Britain over the South Atlantic islands, known in Argentina as the Malvinas. ■ Honecker Speaks to Church

Neues Deutschland quoted Erich Honecker, East Germany's head of state, Wednesday as telling a West German religious monthly that Christians benefited from the state's achievements and supported its policies, Reuters reported from

ploy if the North Atlantic Treaty Organization stations new U.S. missiles in Western Europe.

# For the Record

of policy differences

sives and of criminal association.

The archbishop of Marseilles, Roger Etchegaray, told Pope John Paul II and more than 200 bishops attending a synod at the Vatican that the Roman Catholic Church should make reconciliation with the Jews a high

WORLD BRIEFS

Helms Agrees to King Holiday Vote WASHINGTON (WP) - Senator Jesse Heims, Republican of North

Marxist views, faced a Senate vote Wednesday that was expected to end

While the agreement with Mr. Helms would call off the cloure vote, the Senate majority leader, Howard H. Baker Jr. of Tennessee, said the

Senate would go ahead with the debate-limiting vote unless he could get

Nicaraguan Rebels Bomb Oil Depot

MANAGUA (UPI) - Anti-Sandinist rebels have staged a sabotage

attack from speedboats on Nicaragua's principal Caribbean petroleum depot, bombing two tanks that stored 360,000 gallons of fuel, officials

The government said Tuesday that guerrillas of the Democratic Revo-

Integovernment sand Tuesday that guerrinas to the best at the port of Benjamin Zeladon. The alliance is based in Costa Rica and is headed by the former Sandinist deputy defense minister, Edén Pastora Gómez.

The tanks were used to "supply all the Atlantic Coast region" and were particularly important to the port of Puerto Cabezas, the government

spokesman said. In September, rebels staged an aerial bombing attack on petroleum reserves on the Pacific coast at the ports of Corinto and Sandino, but failed to hit their targets.

Rebels Form Junta in Part of Salvador

SAN SALVADOR (UPI) — A leftist guerrilla group has announced the formation of the first provisional government in a rebel-held area of

El Salvador and seized a key town in the eastern coffee-growing province

of Usulatian.
The Popular Liberation Forces announced Tuesday on its radio station

that it had formed a "subregional junta of popular power" in northern Chalatenango province. It was the first time any of El Salvador's five

rebel groups, who operate as the Farabundo Marti National Liberation Front, has announced the establishment of a provisional government.

The guerrillas captured Jucuspa, an important eastern city in El Salvador's richest coffee-growing district, taking 21 prisoners, killing two

members of the Salvadoran National Guard and seizing 26 weapons,

Egypt Fires Own Version of SAM-7

TAL HAMZA, Egypt (Reuters) — Egypt fired its own version of the shoulder-held Soviet SAM-7 anti-aircraft missile for the first time

Wednesday during a military display.

The missile pursued and destroyed a target drone at this Western Desert base. Egypt began manufacturing its version of the SAM-7 after the Soviet Union stopped supplying it with weaponry and spares because

Defense Minister Abdel-Halim Abu Ghazala said after the live exer-

cises that Egypt's version of the missile would be called "Hawkeye." He

said Egypt would start mass production early next year at the rate of 200

Paris Court Clears 3 Irish Nationalists

PARIS (Reuters) - Three Irish nationals, who the Dublin police say

The three, Michael Plunkett, Mary Reid and Stephen King, were

are members of the Irish National Liberation Army, were cleared by a

court here Wednesday of charges of illegally possessing arms and explo-

cleared of all charges resulting from a police raid on their apartment in August last year. The court said they had been cleared because of judicial

**U.K.** Awaits Junta Change, Paper Says

comment on the report.

The Express said British officials believed a civilian government in

The Express said, without attribution, that officials here hope that

his filibuster against the bill.

unanimous consent for the Oct. 19 vote.

priority in an effort to avoid anti-Semitism. (UPI)

An aleged Irish Republican Army terrorist, William Joseph Quinn, ordered set free from a San Francisco prison, was stopped from leaving Wednesday when the judge who had ordered his release directed that he

war and to secure peace."

At a synod last month, the Protestant Church urged the state not secure peace and content of the protestant Church urged the state not stopped, railroad officials in Dhaka said Wednesday. (Reuters)

Taiwan rather than Chian should be negotiating with Britain over the return of Hong Kong because it possesses the treaty under which London. rules most of the colony, a Taiwanese member of Parliament said

Wednesday in Taipei. (Reuters)

The French national airline pilots' union announced Wednesday in Paris the suspension of a 60-day boycott on flights to Moscow that was called last month after the Soviet Union shot down a South Korean

airliner. (Reuters) A protest at Chemie Linz AG, until recently a producer of dioxin, was broken up by police in Linz, Austria, Wednesday after members of the Greenpeace environmental group tried to block the plant's gates with mock drums of the deadly chemical waste. (AP)

An Iscaeli ministerial committee in Tel Aviv approved Wednesday the building of six Jewish military settlements in the occupied West Bank.

the State Department in the Brady The Soviet President, Yuri V. Andropov, will make his first foreign trip since coming to power when he goes to Bulgaria later this month, sources disclosed in Moscow Wednesday. (WP) So far, there has been only one

# opinion on East-West trade poincy. William A. Root, who was director of the State Department's Office of East-West Trade, said last week that he was resigning to protest the growing strength of the Defense Department in the trade argu-

(Continued from Page 1) missile warheads, bombers and cruise missiles, and in "destructive capacity," or missile and bomber

In this context, the administration will suggest an annual cut of 5
percent in missile warheads or a reduction based on a build-down formula, whichever is greater.

Officials said the following proposals would be put on the table with some flexibility: For every new fixed land-based

missile warhead such as those on the MX, two old warheads would be destroyed; submarine-launched missile warheads such as the new D-5 or Trident-2 missile would be converted on a 3-to-2 basis; and mobile land-based missiles such as the proposed Midgetman on a onefor one basis. This would penalize modernization of potential firststrike weapons and reward mod-

50 Fbg. St.-Honoré, Paris 6th Tel.: 265.28.22 ·· At some point, or so the framers 8 Rue de Sèvres, Paris 6th Tel: 222.1844 the working group would be

A number of officials described be conducted in a separate working the situation in the administration group. Soviet and U.S. negotiators as one of considerable disarray, would work on a "double" build-with no senior participant showing down approach - in numbers of any particular enthusiasm for the new approach.

According to these officials the administration on Friday was still without an agreed position when Ronald F. Lehman, the chief arms control expert on the National Se-curity Council staff, met with a group including Brent Scowcroft, the chairman of Mr. Reagan's Commission on Strategic Forces, Mr. Woolsey and Senator William S. Cohen, Republican of Maine, who was one of the originators of

By all accounts, Mr. Scowcroft and his commission members and Senator Cohen and several of his congressional colleagues essentially wrote the position paper with Mr. Lehman, although they strong ly preferred one overall new proposal rather than breaking it down into one piece for the formal talks emization in the direction of sub-marine-launched and mobile administration was present.

When Mr. Reagan convened this of the proposal hope, the efforts of group Monday, he reportedly just read the instructions agreed on and then excused himself.

## many lives. This therapy is just one of the many recent RHÔNE-POLILENC developments from Rhône-Poulenc's medical research laboratories. Others include cardiovascular, anti-inflam-The creative chemical company matory and psychotropic drugs, and other worldwide. pharmaceuticals sold throughout the world. To fight infection. Rhône-Poulenc has just given surgery an unusual instrument. An auti-bacterial from Rhote-Poulenc has given excellent results against infection caused by encerobec insteria during surveyry

#### tants have moved to West Germa-U.S. Rejects New Sanctions On Trade With Soviet Union and technology, who approved for (Continued from Page 1)

chicken coop." The matter was supposed to have been taken up at a cabinet meeting Sept. 16, but neither Mr. Clark nor Mr. Shultz was

The three met together later, and in the face of the strong line taken by both cabinet officers, Mr. Clark retreated rather than carry the issue to the president, officials said.

The earlier Brady committee recmmendation was ignored. There have been recurrent rumors, subsequently denied, that both Mr. Brady and William state for security assistance, science

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Americans

Las Angeles Times Service

WASHINGTON - Life expec-

The report said that life expec-

Life expectancies last year were as

follows: for white women, 78.7

years; black women, 73.8 years;

white men, 71.4 years; and black



ORLD BRIEFS rees to King Holiday (WP) — Senator Jesse Heina Republication blocking a vote on legislation broken of the Rev. Marrin Luther King Jones, the vote on the Essue Oct. 19 180 days and discussed densities Day recess.

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Sent such Mr. He'ms would call of the beat with the debate limiting tree minds.

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# Talks Begin on Possible Arms Violations

U.S. Raising Questions About Soviet Radar, Missile Tests and Encryption

By Charles Mohr

New York Times Service WASHINGTON - Soviet and U.S. officials in Geneva have started discussing U.S. suggestions that the Soviet Union may have violated the terms of two arms control trea-

The United States says it believes the Soviet Union may have violated provisions of the 1972 treaty limiting anti-ballistic missile defenses by building a huge new radar installation in Siberia and the 1979 treaty limiting strategic nuclear arms by testing more than one new intercontinental missile.

The 1979 treaty has not been ratified but both sides have agreed to abide by its terms.

U.S. officials are also concerned about encryption of electronic data broadcast from Soviet missiles dur-

ing test flights.

For eight days a dispute in the Reagan administration delayed the tending of formal instructions to the chief United States delegate to a Soviet-U.S. commission created to discuss possible violations, according to government officials.

The Standing Consultative Comsion, a body created in the early 1970s to discuss such complaints. began a meeting in Geneva on

But the chief U.S. delegate, General Richard H. Ellis, who is retired from the air force, received no foruntil Friday, Sept. 30, government radar facility and a new ICBM ed outward." officials said. He was therefore limgates and to exchanging routine ready negotiated." information.

A group of Washington officials centered on the Defense Depart-ment held up the transmission of instructions to General Ellis, vertible evidence of violations.

That group wanted the United States to make outright charges of cheating against the Russians, possibly in a diplomatic note from Secretary of State George P. Shultz.

Another group, centered in the State Department, preferred to take a less confrontational ap-proach and to do it in the commission, officials said. By agreement, the proceedings of the Standing Consultative Commission are con-

Officials would not say exactly how the dispute was resolved, but one indicated that General Ellis might have not been permitted to raise all three questions of possible treaty violations in this week's sessions. This would leave the United States the option of making a public complaint on at least one point.
President Ronald Reagan alluded to the issue of possible Soviet

violations in his arms control speech to the United Nations General Assembly on Sept. 26.
He complained of the "high level" of encoding of Soviet missle test

ited to listening to the Soviet dele- compliance with agreements al-Some conservatives in Congress

and outside government have been under construction near Abala-pressing Mr. Reagan to make pub-lic what they believe is incontro-of Novosibirsk.

Soviet officials have denied that the new radar in south central Siberia near the town of Abalakova or the test flights of a modified SS-13 intercontinental ballistic missile that began in February are violations of the treaties. They have also cial said.
denied that the level of data encryption is a violation.

The 1972 treaty limiting the size and quality of anti-ballistic missile defenses, or ABMs, limits the United States and the Soviet Union to one operational ABM field each. The U.S. field has been deactivated, but the Soviet Union has an operational ABM force at Pushkino, a suburb northeast of Moscow, that is meant to offer some protection for both the city and nearby missile fields.

The treaty also says that to "enhance assurance of the effectiveness of limitations on ABM systems" the two sides will not adapt other radars for ABM use and that

mal instructions from Washington data and said "a newly discovered of its national territory and orient-

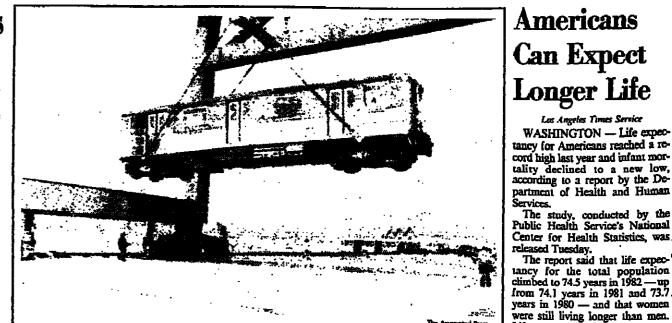
About Aug. 10, U.S. intelligence officials studying reconnaissance satellite data discovered a very large radar, resembling a building,

The orientation of the radar station, according to U.S. officials, appears to be a fan-shaped area pointing to the northeast, across thousands of miles of Siberia and ultimately the Bering Sea. "We don't call that 'outward,' " an offi-

The other possible treaty violation has been aired publicly but hardly resolved by U.S. officials. The 1979 arms treaty said the two parties could flight test and deploy only one new type of light ICBM. In October 1982 the Soviet

Union began testing a missile similar to the 10-warhead United States MX missile and told Washington this was the new missile permitted under the treaty. However, in February U.S. sen-

sors detected flight tests of a single-warhead ICBM. Moscow says this is a modification of a solid-fuel missile called the SS-13, of which about 60 were deployed in the 1970s. The Russians reportedly say each nation's radars for giving ear-ly warning of ballistic missile at-under the treaty. U.S. officials say tack must be "along the periphery that it is a new missile.



SPECIAL DELIVERY — New subway cars built by the Nissho Iwai Co. of Japan for New York City's Metropolitan Transit Authority being unloaded at a Brooklyn terminal.

U.S. Senate Approves \$91 Billion in Domestic Spending.

Washington Past Service WASHINGTON — Brushing aside a Democratic proposal to add substantially to education spending next year, the Republican-con-trolled U.S. Senate approved, 70-23, a \$91-billion appropriations bill for major domestic programs.

The measure, approved Tuesday, was tailored to win President Ronald Reagan's approval.

A proposal to add \$559 million

lion for education failed, 50-45, despite arguments from Senator Bill Bradley of New Jersey and other Democrats that the proposal con-formed to earlier Senate votes calling for increased spending for edu-

Later, the Senate voted 50-44 to reject a proposal by Senator Dan Quayle, an Indiana Republican to add \$364 million for job-training.

to the bill's allocation of \$13.4 bil- Senate leaders had warned that Mr. Quayle's proposal, which was live births. backed by most Democrats, could lead to a presidential veto of the

> month by the Democrat-controlled House of Representatives, the pro-posed Senate bill falls short of budget targets for major social welfare programs that were approved by Congress earlier in the year.

The report also said the infant mortality rate continued to decline in 1982, with 11.2 deaths per 1,000

Births totaled 3,704,000 in 1982, 2 percent more than in 1981, the study said.

men, 64.8 years.

Like the version passed last Marriages increased for the seventh consecutive year, establishing a national record, the department said. In 1982, 2,495,000 couples married, 2 percent more than in

### U.K. Laborites Reaffirm Anti-Nuclear Position

By Peter Osnos

Washington Post Service BRIGHTON, England - The Labor Party overwhelmingly reaffirmed Wednesday its commitment to eliminating the country's nuclear forces and ousting all U.S. bases should it win the next national elec-

The margin at the party's annual conference was so large for "un-conditionally" scrapping Britain's deterrent "within the lifetime of the next Labor government" that no vote count was sought by those opposed to the radical military pol-icy. With no election scheduled for four years or so, the immediate effect of Wednesday's action is to bind Labor's position in parliamentary debates on modear ques-

Labor's new leader, Neil Kinnock, voted for the resolution, but only after losing an effort to have it watered down that began even be-fore he was elected Sunday. Mr. Kinnock, who has often said that he favors utilisteral nuclear disar-

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on celebrated Bottcherstrasse.

Messieurs, Mesdames -

mament for Britain, tried to fudge the question of timing and remove the word "unconditionally."

But Ronald Todd of the giant Transport Workers Union, which sponsored the resolution, said amid strong applanse: "It is not a policy we should apologize or be reticent about." He said Prime Minister Margaret Thatcher was turning Britain into "an American aircraft carrier" and called Mrs. Thatcher and President Ronald Reagan "the Bonnie and Clyde of the nuclear

The vote, which appeared to be even greater than last year's twothirds majority, has some policy significance for the Reagan admin

It means that the official opposition party in the only country with which the United States maintains a strategic nuclear relationship is committed to breaking that tie. Moreover, the vote reinforces Labor's outspoken opposition to the deployment of U.S. cruise missiles, scheduled to begin now in a matter

Even staunch Labor critics of unilateralism such as former Prime Onight could be Minister James Callaghan and former Foreign Secretary Denis Heamer Foreign Secretary Denis Healey are against cruise deployment and would cancel Britain's plans to purchase the U.S. Trident D-5 submarine-launched missiles to replace the country's aging Polaris

> The mass of the party delegates, however, also favors the rest of the sweeping program, which includes dismantling Polaris before it is obsolete and removing U.S. military installations. Mr. Healey and Mr. Callaghan, who appear to be in-creasingly isolated from Labor's mainstream, favor making the future of Polaris dependent on arms negotiations also involving the United States and the Soviet Union and are far less categorical in their opposition to U.S. bases.

As a realist, Mr. Kinnock's advisers say, he recognizes that Labor's extreme stand on military policy — and the fact that it was attacked by some of its own senior figures - hurt it with the elector-

Mr. Callaghan, arguing futilely against Wednesday's resolution, declared: "You made a fundamental mistake. You believed that by going on marches and carrying res-olutions, you could persuade the British people. You lost millions of

Court Upholds CIA Censorship Of Critical Article

New York Times Service WASHINGTON --- A federal appeals court has upheld the Central Intelligence Agency's censorship of portions of a critical article by a former agent concerning al-leged CIA "disinformation" activi-ties in Iran, Latin America and

The three-judge panel ruled unanimously Tuesday that "the CIA classification and censorship scheme protects critical national interests." It said the CIA action was constitutional as applied to the article by Ralph W. McGehee, the former agent. A censored version was published in The Nation, a liberal weekly of political commen-tary, in April 1981.

The decision by the Court of Appeals elaborated on a ruling by the Supreme Court in 1980, in a case involving another former CIA agent, Frank W. Snepp 3d. The Supreme Court ruled that the CIA could require its agents to agree to lifetime prepublication review of their writings and could sue a former agent for publishing without

submitting to such review. In another development Tuesdom of Information Act.

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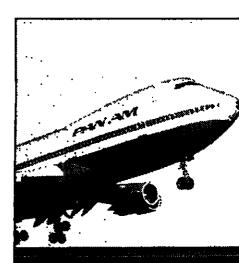
Catching a Pan Am connection at New York is really rather



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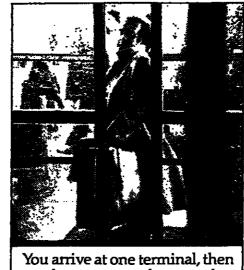


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day, the Senate Intelligence Committee unanimously approved a bill to extempt certain CIA files from search, and review under the Free-



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## Schools in U.S. Seeking Funds To Eliminate Asbestos Hazard

By William E. Schmidt New York Times Service

NEW YORK - There is growing alarm among education offi-cials across the United States over where they will get the money to remove potentially dangerous asbestos insulation from local school

According to a report not yet released by the Department of Education but made available to The New York Times, it will cost \$1.4 billion to remove asbestos from 14,000 public and private school buildings around the coun-

Dr. Robert Fortenberry, the superintendent of schools in Jackson, Mississippi, said it would cost \$7 million to take out and replace the asbestos in the Jackson schools. "We'll get it out as we have the money," he said. "But right now, we can't get to it unless the state or someone else helps us come up with some extra money.

Federal officials and medical authorities have warned that asbestos, widely used as fireproof insula-tion in school buildings built or renovated from 1940 to 1978, poses a serious threat to children and school employees.

They have said that it causes a variety of diseases, including lung cancer and a cancer of the lining of the lungs, mesothelioma, that is usually fatal. It typically takes 15 to 40 years after exposure before the diseases begin to appear.

The danger in schools and other public buildings is that asbestos insulating pipes or ceilings will begin to crumble, releasing fibers into the air. The asbestos fibers, once inside the lungs, usually stay there.

By Juan M. Vasquez

Las Angeles Times Service

revival of the Central American

Defense Council underlines the

growing U.S. support for a military

approach to regional problems, ac-

cording to diplomats in the area.

alliance that ended in 1969 when

two of its members, El Salvador

and Honduras, engaged in a short-

The resurrection of the council

now as an instrument of military

pressure on Nicaragua had been

rumored for some time, but the

hesitation of Guatemala, under

former President Efrain Rios

Montt, made the plan impractical.

card," a U.S. diplomat said. "He

would not go along, would not play

at which the defense council was

"Rios Montt was always the wild

lived war against each other.

The council is a regional military

MEXICO CITY - The current

report, prepared in consultation with the Environmental Protection Agency on behalf of a Senate committee, concedes that federal officials have no hard data to confirm their cost figures. But it estimates that removal will cost an average of \$100,000 per school building.

An internal EPA report that came to light last week showed that more than half the nation's 85,000 public and 20,000 private schools had failed to comply fully with federal rules requiring them to identify and report on any asbestos in school buildings by June 28.
Current EPA regulations do not

require schools to remove the loose or flaking asbestos. Instead, the agency says, the districts must no-tify employees and parent-teacher organizations of the presence of asbestos in school buildings.

It is widely believed that the cost of asbestos abatement programs is one of the main reasons that so many districts have not complied. Many smaller districts fear that they do not have the resources to follow through with remedial actions and are therefore hesitant to arouse fears.

Most school districts are already facing budget problems as a result of earlier cutbacks in state and federal money. In Jackson, for example, voters rejected bond issues twice in the past eight months for enair and construction programs.

Though some states have offered money to help local districts with removal programs, the largest share of the cost of removing the asbestos has been borne by taxpayers in the individual school districts. There has been no federal assistance, although Congress is now studying a plan to set up a \$50-million fund to provide local districts interest-free

loans for asbestos removal.

Revival of Central America Council

Seen as Stressing U.S. Military Effort

Those attending included General Carlos Vides Casanova, defense

minister of El Salvador, General

Gustavo Aivarez Martinez, defense

minister of Honduras and an out-

spoken military foe of Nicaragua;

General Manuel A. Noriega, com-

mander of the National Guard of

Panama; and General Paul F. Gor-

man, head of the U.S. Southern

Command, which has its headquar-

Both General Nonega and General Gorman were identified as ob-

servers at the meeting, rather than

meeting denounced "Marxist-Le-

ninist" aggression in the region and proclaimed the alliance's intention

to "employ force not only to de-

fend democracy but to promote de-

said with a touch of regret Tuesday

A U.S. diplomat in the region

"I think the only question is

whether diplomatic efforts have

A statement issued after the

as participants.

General Oscar Meija Victores re- that the revival of the defense conn-

placed General Rios Montt in a cil and the explicit U.S. sanction

military coup last August. The new represented by General Gorman's

Guatemalan chief of state was presence pointed to the growing

the host Saturday at a six-hour attention being given to military

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meeting of regional military leaders efforts in Central America.

are under a lot of fiscal pressure. said Representative George Miller, a California Democrat, who has helped push legislation to make schools report asbestos hazards.
"But this is not enough of a justification not to do the studies, or to refuse to disclose the dangers."

He blamed the Reagan administration for the low reported rate of compliance, because it has planned no measures to make districts say if their schools have asbestos.

"This administration has sent a clear signal to the schools that asbestos is just not that important a problem," Mr. Miller said.

Dwight Brown, asbestos coordinator for a regional office of the EPA in Atlanta, said the failure of many school districts to deal with the threat is likely to make them increasingly vulnerable to lawsuits from former students or school employees seeking to blame subsequent cancers or other illnesses on exposure to asbestos in school buildings.

Mr. Brown said school officials who ignored the asbestos hazard "are guilty of either negligence or malfeasance, or both." He said that a school district that knows of the presence of asbestos but does nothing to get rid of it is not only continuing to expose children to a known health hazard, but also has created "a lawsuit waiting to hap-

More than 10,000 suits have been filed in the past decade against asbestos manufacturers by workers who blamed their illnesse on exposure in the workplace. Many of the suits involved those who worked with asbestos in U.S. Navy shipyards in World War IL

really been exhausted," he said, "or

whether there never was any inten-

tion to arrive at a diplomatic solu-

tion. Whatever, all the signs point

socech by Fred C. Iklé, undersecre-

"the forces of democracy."

to cover a harder line."

to a military road."

## Revisions in U.S. Gun Control Laws Sought by Reagan Administration

TOKYO PROTEST — About 7,500 Japanese farmers, including these on a lunch break

demonstrated Wednesday to pressure the government to stand firm against the liberalization of agricultural quotas. Trade talks will be held in Washington next week.

WASHINGTON - The Reagan administration has asked the Senate Judiciary Committee to approve a bill that would make major changes in the U.S. gun control laws, including allowing interstate

mail-order sales of weapons for the first time in 15 years. Critics of the measure, called the Firearm Owners Protection Act, contend that it would virtually destroy the 1968 Gun Control Act, enacted after the assassinations of President John F. Kennedy, the Rev. Martin Luther King Jr. and Senator Robert F. Kennedy.

Nelson T. Shields, chairman of Tuesday that the levislation would "turn back the clock" and "would allow for easy access to guns by dealer. Critics of the legislation

The legislation provides that the buyer and the seller of a gun should meet to negotiate the sale before the weapon is mailed, but Mr. Shields said that provision would be "unenforceable." Other provisions of the legisla-

• Lift the ban on out-of-state weapons purchases, which are now limited to federally licensed dealers, manufacturers, importers and collectors, and permit private, un-

recorded sales of weapons between individuals in different states if no local law is violated. Allow the authorities to seize Handgun Control Inc., asserted only the weapon used in a crime, even if a suspect owned others.

• End routine inspections of gun

rant for such inspections.

see three amendments.

The administration he said, from licensed dealers; licensed dealers to be allowed to sell at gun shows, and a mandatory minimum

cided not to go to New York after

Diplomats said the Weinberger

visit, the third by a Reagan cabinet

cernible recently in Chinese-U.S.

exchange of visits by Premier

Zhao Ziyang and President Ronald

The diplomats added that China.

while strongly critical of the shoot-

ing down of the Korean Air Lines

jet, did not join Washington and its

allies in condemning Moscow in

At a time of heightened world

tension, they said, Beijing would be

anxious to avoid too close an in-

volvement with either superpower

and would seek to reschedule the

the UN Security Council

point out that pawnbrokers would not be considered gun dealers un-der the new definition because they

dealers' sales records by the federal Bureau of Alcohol, Tobacco and Firearms, and require a search war-

Department's deputy assistant secretary for enforcement, said Tuesday that the Reagan administration supports the bill but would like to

• Narrow the definition of gun penalty of five years in prison for

sell other products.

with two live sheep, garishly dyed and covered in Afghan cloth. The Chinese kept the secretary guessing. They left chunks of his schedule blank, leaving him to wonder whether he would be al-Robert E. Powis, the Treasury

lowed to see Prime Minister Zhao Ziyang or the party chairman, Deng Xiaoping.
Defense Minister Zhang Aiping greeted him with lectures on the virtues of an independent course and left little doubt about who was

wants out-of-state purchases to be seeking favors from whom. we expect him to bring good news," Mr. Zhang said as their first meeting began.

#### spending or the Soviet threat are at issue. When Mr. Zhang put Mr. Weinberger in the supplicant role by asking him to speak first in the Great Hall of the People, the deiense secretary cheerfully launched into an explanation of U.S. stratecalled off when Mr. Gromvko degic concerns.

Mr. Weinberger discussed Soviet strengths, past U.S. weakness and coping with those problems. "We steel" to meet it.

Of Chinese Wasn't Easy realize the U.S.S.R. may make a mistake and, if deterrence fails, we must have the strength to restore the peace," an official who attend-

Weinberger's Courting

By Fred Hiart

most anti-Communist govern-

ments, last week brought his gospel

country. If he saw any irony in the

For five days, Mr. Weinberger

listened politely to lectures about

the correct behavior of a people's

**NEWS ANALYSIS** 

liberation army and dutifully drove

the Chinese to fear what he sees as

the world's greatest threat, the So-

viet Union. He made clear that he

feels that any country that can be

no matter how alien its political

system or exasperating its diploma-

cy -- should be courted, enlisted

and given weapons to do the job.

But it was not an easy courtship.

To some extent, the confusion resulted simply from the meeting of

two cultures. During his around-the-world irip, after all, Mr. Wein-

respond when his Japanese coun-

about the beauty of the moon shielded by clouds, or when tribal

elders in Pakistan presented him

"When a guest comes from afar,

signed up against the Russians -

to the world's largest Comm

trip, he never let on.

egion Post Service

WASHINGTON - Defense ed the meeting paraphrased the se-Secretary Caspar W. Weinberger, one of the most combative anticretrary as saying.
He went on to NATO ("a defen-Communists in one of the world's sive alliance"), the Warsaw Pact (an alliance "by compulsion"), the Middle East, the Russians in Afghanistan ("a possible threat to the oil fields"), in Southeast Asia, in

Zhang thanked Mr. Weinberger for his "concise briefing." "We feel we've gotten to know you better," Mr. Zhang said, ac-cording to an official. "Now we will in proletarian limousines with red flags fluttering from the hood.

All the while he tried to educate

the Pacific ("a threat to both China

and Japan") and in Latin America.

After one and a half hours, Mr.

go and study your points."
While the Chinese studied, they gave Mr. Weinberger some indica-tion of their military capability, convincing his entourage that China needs help modernizing its armed forces. A firepower demonstration showed off rifle skills hardly more sophisticated than those an Éagle Scout might learn, and even then not all the targets went down. In arms talks, the Chinese seemed so out of touch they often did not know what weapons to request.

Eventually, the secretary met with both Mr. Zhao and Mr. Deng. berger was equally hard put to The Chinese agreed to a visit by President Ronald Reagan, and al-lowed Mr. Weinberger to amounce terpart toasted him with a poem that agreement in Beijing. They approved military exchanges between lower-level officers and said they would consider further the possibility of buying U.S. arms.

Despite those modest success the Chinese resolutely ignored Mr. Weinberger's repeated openings to take up the cry against the Soviet Union. The day he left Shanghai, China announced a new round of talks aimed at improving relations with the Soviet Union.

But Mr. Weinberger was not discouraged. At his last banquet in Xian, when the official Beijing talks had ended and his hosts toasted him with nothing but bland tributes to friendship between nations, the defense secretary could not resist one more educational effort.

Mr. Weinberger is not a man quick to take a hint when defense "The first emperor of China lived here," he said, "and built the Great Wall of China to defend against the greatest threat of his

"Coincidentally, at that time, the threat also came from the north," Mr. Weinberger said. Today, he said, the threat was from the same direction, adding that he hoped that, with U.S. assistance, the Chihow the Reagan administration is nese would build "a great wall of

## China to Demand Removal of Missiles Another official recalled a recent In Normalization Talks With Soviet

tary of defense for policy, in which he emphasized that U.S. policy in BELJING -- China's vice foreign the region is to promote victory for minister, Qian Qichen, will open the third round of Chinese-Soviet The official added: "The idea normalization talks Thursday with that the diplomatic route has come a new demand: that more than 100 to a halt, that is not the public position of the United States. But I Soviet SS-20 missiles aimed at East

Asia be removed. can understand where someone At two previous negotiating sesmight say that this is just lip service sions in the past year with Leonid Dyichov, the Soviet Union's deputy Meanwhile, a leader of the Salvaforeign minister, Mr. Qian has doran insurgent movement said the stressed that improved relations revival of the council represents an- between the estranged Communist other step in the regionalization of countries hinges on the removal of the Central American conflict.

Beijing has defined these "obstacles to progress' in the talks as Moscow's support of Vietnam's oc-American Workers, "is trying to defeat us militarily and topple the cupation of Cambodia, the 1979 intervention in Afghanistan and government of Nicaragua by using Soviet troop concentrations along China's border.

But recently there have been strong signs that China is also worried by what it sees as a build-up of SS-20 medium-range missiles in the

Soviet Far East. Mr. Qian told Japanese correspondents this week that he would be calling for removal of the mis-siles, which Beijing believes are aimed at China and Japan. The Chinese and Japanese foreign min-isters, Wu Xueqian and Shintaro Abe, agreed to seek removal of the

missiles as a joint goal at a meeting in New York last month. Xinhua news agency Wednesday quoted a senior Japanese defense official as saving that Moscow was now building three more SS-20 launch bases in the Far East. It said Shigeo Arai, defense agency counselor, estimated that the number of missiles deployed in the region

Mr. Ilyichov, who arrived in Beijing Tuesday, declined to discuss prospects for the new round of talks, but Soviet sources said they did not expect substantial progress at the session.

Mr. Qian was quoted by Xinhua as saying that, while he hoped the discussions would bring some progress in removing obstacles to better ties, "this cannot be decided by our side alone." The two men held the first round

of talks on improving relations in Beijing in October 1982. They are believed to have done not much more than state their positions, but they did agree to meet again in Moscow in March for a second The death of President Leonid L

Brezhnev last November and his replacement by Yuri V. Andropov brought initial hopes of a break-

through, but the March talks produced no tangible progress either. Nevertheless, China, which has U.S. protests at the shooting down of a South Korean airliner. been steering an independent for-Union, has been careful not to member this year, confirmed the close the door on further discus- greatly improved atmosphere dis-

But Mr. Qian said: "You must Reagan early next year. never forget that there are many

The visits by Mr. Kapitsa and Mr. Ilyichov were part of high-level diplomatic exercises in which the U.S. secretary of defense, Caspar W. Weinberger, visited China and China's foreign minister, Mr. Wu, was to have met with the Soviet Union's foreign minister, Andrei A. Gromyko, at the United Nations last month.

#### City-Owned Nativity Scene Is Legal, Reagan Official Tells High Court

New York Times Service

WASHINGTON - One of the Reagan administration's top legal officials has argued before the Supreme Court that the U.S. Constitution permits a local government to include a Nativity scene as part of an official Christmas display. It was the latest of s instances in which the Reagan administration had asked the high court to relax the legal boundaries between church and state.

Solicitor General Rex E. Lee contended Tuesday that a federal appeals court was wrong when it ruled a year ago that the display of a city-owned creche by Pawincket, Rhode Island, violated the constitutionally required separation of church and state. Mr. Lee said the life size crèche, part of a larger display that included a tree, a Santa Claus and other more secular Christmas symbols, was a "constitutionally permissible governmental acknowledgment of an important part of the American heritage."

The Nativity scene was challenged in federal court by a group of local residents and the American Civil Liberties Union. After the Supreme Court agreed to hear Pawtucker's appeal, the Reagan administration entered the case as a friend of the court in Pawtucker's

#### **Arms Flow to Nicaragua Continues** Department officials said Tuesday. By Hedrick Smith

New York Times Service

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But officials specializing in Central America contend that since the WASHINGTON - In the face Reagan administration stepped up of U.S. Navy exercises off the coast pressure against Nicaragua last of Nicaragua since late July, the summer, the Nicaraguan governflow of military supplies from the ment has agreed to a draft regional Soviet Union, Cuba and Eastern declaration of objectives to foster Europe continues unabated, State elections and democratic institu-

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tions, to remove outside military advisers and to halt outside military aid to the region. Representatives of nine Latin

"The United States," said José

Mario López, a representative of

the Revolutionary Party of Central

the armies of Central America, but

that is not possible, definitely not."

American countries, meeting in Panama from Sept. 7 to 10, reached general agreement on a 21-point declaration embracing those objectives, but the declaration has not been released pending final approval by the nine governments. Administration officials said they would regard it as a major diplomatic gain for Nicaragua to commit itself formally to such objec-

Without what the officials called the incentive of American pressure would soon increase to 135 from through military excercises and aid the present 108. to rebels fighting the Managua government, the Reagan administration says Nicaragua would not have been receptive to a regional

According to the State Department, U.S. intelligence has detected some reduction in Nicaragua's military aid to guerrillas in El Salvador. The main shift, officials said, was from supplies of heavy arms to small arms, ammunition and spare parts. But they were unable to pinpoint

whether the shift was in reaction to U.S. pressure or changes in the tactics and military needs of the Salva-

Officials said it was a disap. Moscov pointment, however, that there had round. been no visible slackening in the tempo of Soviet, Cuban and East European cargo ships headed for

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eign policy course between the United States and the Soviet Last month Mr. Qian held sever-al days of talks on world issues with Apart

al days of talks on world issues with
the Kremlin's top China expert,
agreement on providing China with Mikhail S. Kapitsa. Mr. Kapitsa defensive weapons and other highsaid later that they had "opened a technology equipment, Mr. Weinnew channel of contacts, this time berger was also able to announce on international problems," and an described his visit as successful.

obstacles between us."

The Wu-Gromyko meeting was

## Wa-Gromyko talks as soon as pos-The Versace Collection: A Study in Asymmetry

emerged Wednesday as Milan's most sophisticated designer, as well as its gutsiest. He is also the most accomplished and versatile designer, who can do sportswear as well as evening dresses. His strong signature is now inter-

By Hebe Dorsey

tional Herald Tribune

MILAN - Gianni Versace

national, thanks to a lot of work and quite a bit of money. For Mi-

#### MILAN FASHION

lan is a big-bucks story and Versace does not mind spending \$1.2 million a year on promotion and ad-

It has paid off in patronage, and his name is now linked with a young and beautiful group, including many show business people. such as Candice Bergen and Barbra Streisand. Last week, Princess Caroline of Monaco, who has just agreed to be guest editor for the Christmas issue of French Vogne, ordered 12 dresses from Versace. She will pose for an official portrait by Richard Avedon in one of Ver-

ece's metal mesh dresses. Wednesday's collection gave some vigor back to Milan and had buyers raving at the end of the

"I love all the dresses," said Ellen Saltzman, vice president of Saks Fifth Avenue. Don Morton, formerly with Marshall Field and now an inde-

pendant consultant, rated Versace's a "four-star collection." Versace did a long skirt — slim, slit and asymmetrical. Jackets were

asymmetrical, too, and very long in the back, which gave them a poncho look. A navy poplin with knit culfs and strong leather belt was particularly attractive. At night, these irregular jackets, dipping even farther, almost reached the In a country of tailors, Versace

displayed a successful hand at draping, which was used throughout on silk and leather, in swim-



Versace's irregularly cut blue leather jacket with whiteand-blue knit insets, blue leather pants and bandean.

suits, jumpsuits, short dresses and pervaded Vesace's daytime clothes long dresses. The prettiest dresses came from his use of fabrics, which were draped on the sides; the sexi- often originated in his menswear est were gathered at the back in a division, but were applied to womnaughty and revealing manner. ens clothing in different, brighter The only drawback to his collec- colors.

The metal mesh dress, which Versace introduced a few seasons tion was the enormous number of pants, including some baggy ones, which could well have been left out. ago, is becoming more and more The best of the pants were the ulelaborate. The newest ones, printed tra-slim ones to be worn under long or striped and sprinkled with crystal beads, are a technological feat. The slightly masculine note that The only problem is that although they flow like water, they weigh like lead.

In tune with Milan's mood, Versace's collection is very much into elegance. Well edited, with a lessis better approach, it is impeccably accessorized. Heads are enclosed in black leather bandeaux, draped and caught with huge crystal backles. Gloves and shoes are perfectly matched. Jewelry is in simple, geo-

Unlike other collections, which were drowned in black and gray, Versace showed color, including a cheery purple and raspberry.

Laura Biagiotti's collection was

all over the map, including a brief moment at Chanel's. Her forte was the short cashmere dress cut very full with even fuller, tiered Pierrot collars. In a hot mixture of reds, the dresses came off quite well.

There is a little girl sleeping in Biagiotti's heart, which accounted for full-blown and tiered dresses. printed with childish blocks and set off with little ribbons in the hair, One of her best ideas was the linen blouson with argyle patterns to be worn over bi- and tricolor bathing

At the end, a southern belle look, with scooped-out shoulders, was followed by Biagiotti's suggestion for Rome policewomen - which was more colorful and less chic than the one Lagerfeld did for

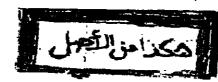
Fendi on Tuesday.

As for Luciano Soprani, there are people who say he will grow yet. In the meantime, his collection is ultraclassic, demonstrating as if there were any need, that there are too many pants in Milan. But Soprant knows how to cut a presty blouse, and his palette is attractive, with khaki and purple an unusual

combination.

He also designs Grace's called tion these days, as well as Basile, and all three are not exactly siming at fashion adventures. On the party circuit, Andy War-

hol came from New York to insugurate his retrospective of Italian designers' portraits with a big bash



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dy in Asymmel Section Bearing

Sex in U.S.: Conservative Views Prevail by Jane E. Brody New York Times Service THE largest and most comprehensive study of American couples ever undertaken has found them to be far more conventional than expected in attitudes and bebavior toward sex, money and

Despite widespread discussion of sexual freedom, for example, the study revealed that more than twothirds of married men and women are monogamous, although women's extramarital activities are becoming more like those of men. And while couples were happier when the opportunity to initiate and refuse sex was shared equally by the partners, in more than half of married couples the imsbands still were the primary initiators of sexual activity. However, the findings indicate that married couples engage in sexual activity more often and more regularly than the researchers expected on the basis of previous studies.

With regard to money and work,

By Richard D. Lyons

New York Times Service A MARKED decrease in casual or promiscuous sex has been occurring in the United States in the

Psychiatrists, public health workers and law-en-

forcement officials say their suspicions are being

confirmed that such a decrease has been taking place.

These students of contemporary social behavior say

the shift away from the kind of indiscriminate sexual

behavior that often involves people who do not know

The change is particularly discernible among homo-

sex life in response to anxiety and outright fears about

contracting AIDS, which has struck more than 2,250

people in the United States and Puerto Rico, three-

quarters of them homosexuals. More than 900 of them

In Madison, Wisconsin, doctors in charge of a

program for the control of venereal diseases in homo-

attribute the observed decline in promiscrity to the

fear of contracting AIDS," they wrote in the Lancet, adding that so far, AIDS has not appeared in

last several years, many experts believe.

heterosexuals and homosexuals.

have died as a result of the disease.

to the experts.

men are not happy when their wives earn more than they do. When roles are reversed, with men doing the housework and women providing the income, "couples become dreadfully unhappy," the study showed.

And although 60 percent of wives now work outside the home, only 30 percent of couples said they believed that both spouses should work. Even when wives have fulltime jobs, they continue to do most of the housework. Many husbands of working wives were opposed to doing housework and resential when they had to.

Furthermore, couples living together but not married were found to be far less liberated about money, sex and housework than their nontraditional living arrangement

The study, to be published in two weeks as a book, "American Cou-ples" (William Morrow & Company, \$19.95), was conducted under a the study indicated that as in the past, earnings were found to largely by Dr. Philip Blumstein and Dr. metropolitan areas — Scattle, San determine the balance of power in Pepper Schwartz, sociologists at Francisco and New York — and

Seartle.

When the project began in 1975, many changes were challenging the structure and permanence of the traditional American couple: The divorce rate was soaring; the roles of men and women at work and at home were in a state of flux; many more homosexuals, both male and female, were living openly as couples, and many heterosexual couples were living together unmar-

"It is the fondest wish of most people to be a couple," Dr. Schwartz said in an interview. "We got a strong sense of how much people want to make their relationships work. But it is more difficult these days to stay together because a variety of centrifugal forces pull couples apart."

In the first major study to look at couples of all types, the researchers surveyed married and unmarried heterosexuals who are living together and homosexual men and women. Extended questionnaires

Promiscuity Believed to Be Declining agreed that significant changes in sexual behavior had occurred lately, but said that AIDS and herpes were

not the only reasons for the changes. "Many men and women in their 30s who were in the forefront of the sexual revolution in the 1960s are beginning to question whether casual sex and the lifestyle that goes with it is really as exciting as it has

been made out to be," she said. Many of these people, particularly women, began The reasons go well beyond the fear of such diseases as to see casual sex as a sign of an empty sort of life, and acquired immune deficiency syndrome (AIDS) or herthe addition of the herpes scare gave them added pause to examine their sex lives," she said. pes and include a broader kind of retrenchment from the sexual revolution of the 1960s and '70s, according

Fears about contracting genital herpes have had less of an impact among heterosexuals who affect a more open, uninhibited sex life; yet their sexual activities are also undergoing a gradual reversion to more tradieach other well or are not engaged in an otherwise close or intimate relationship, is occurring both among

"A wind of conservatism is sweeping the country," said Dr. June M. Reinisch, director of the Kinsey Institute for Research in Sex in Bloomington, Indiana. Public health officials in New York, Denver and sexuals who have adopted a much more conservative Los Angeles have reported that the fear of AIDS has led to a marked drop in such venereal diseases as syphilis and gonorrhea among homosexuals.

Bruce Mailman, a partner in a homosexual bathhouse in Manhattan's East Village, estimated that his business had fallen "well over 15 percent recently because homosexuals are frankly terrified about AIDS." But he too said that social, as opposed to sexual, activity had increased among homosexuals.

sexual men have found that men they surveyed in 1982 had had an average of 6.8 sexual partners in the This same change in attitude has been observed in previous 30 days. In 1983, that number plunged to 3.2. recent years among heterosexual men and women students at Ohio State University by Dr. Nancy Clatworthy, an associate professor of sociology there. Moreover, they found that in 1983, 7.4 percent of men they surveyed had been abstinent for the previous 30 days, while no such men were found in 1982. "We

Dr. Clatworthy, who conducts surveys of sexual activity every five years, said the percentage of women who said they had engaged in premarital sex rose markedly through the 1960s to 80 percent in 1975, then Dr. Shirley Zussman, a Manhattan sex therapist, dropped off to 50 percent in 1980.

relationships, and most married the University of Washington in efforts were made to get a diverse group of participants. In each case, both members of the couple had to complete the questionnaire

independently.

More than 12,000 questionnaires were included in the analysis and supplemented by personal inter-views with 300 of the responding couples. Eighteen months afterward, half the couples were sent followup questionnaires to deter-mine whether they were still together and if not, why not.

The researchers predicted that if their nonrandom sample of volunteer respondents was not wholly representative of American conples, the bias should be toward the more liberal side. "If that is the case," Dr. Schwartz observed, "this country is really very conserva-tive." She said the main problem with the sample was that it did not

represent minority groups at all.

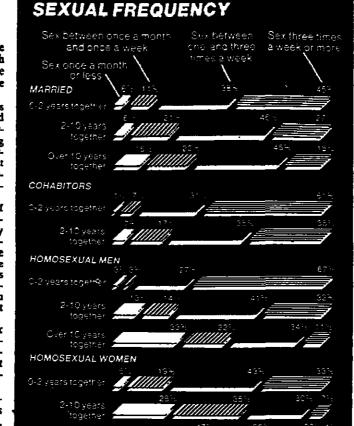
Dr. Schwartz said a second book would examine such factors as children, in-laws, friends, communication of affection and management of conflict as determinants of happiness and stability.

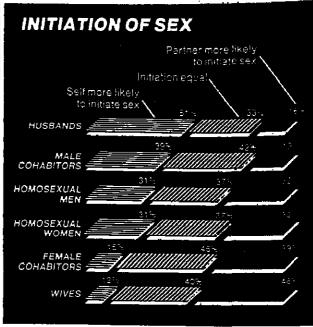
Perhaps the study's more important findings to date are indications of what does, and what does not, increase the chances that couples will break up. Among all four types of couples, conflict and dissatisfaction with the way work intrudes into the relationship were often associated with a breakup. For heterosexuals, conflict over the wornan's job was the main factor. Even in new marriages, when the wife was ambitious, the relationship was less stable. However, a wife who was happy in her job tended to be happy in her marriage, perhaps, the researchers suggested, because she relied less on the marriage for personal satisfaction.

Except for long-married couples, breakup was higher among couples who spent a lot of time away from one another, taking separate vacations, having separate friends and often eating apart. On the other hand, a lack of "private time" was a source of disssatisfaction, especially for married women who work.

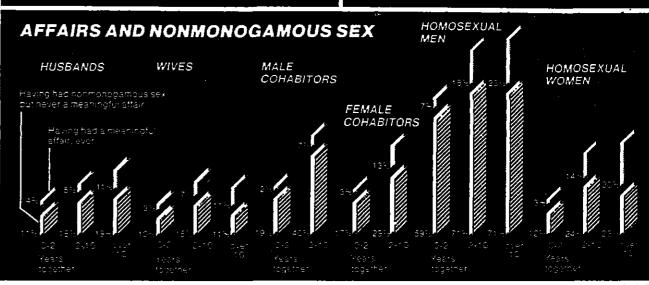
The researchers noted that while early in marriage husbands said they needed more time on their own, in more long-standing marriages men wanted more time with their wives and the wives preferred more private time. Many wives resented retired husbands who "hung around" the house and demanded their constant companionship.

Conflicts and dissatisfaction about sex also threaten the survival for a heterosexual woman's satisof couples. However, frequency of faction. Among heterosexual cousexual relations was not a factor, ples surveyed, 72 percent of the the researchers concluded. "People women and 74 percent of the men who have sex infrequently are just performed oral sex at least some of as likely to have a long-lasting rela- the time. The researchers were sur- not necessarily lead to a "career of ual men with partners had had sex-





The results of more than 12,000 questionnaires on sexual behavior as well as on jobs and feelings about money provided researchers with an unusual alimpse of the lives of American couples. They concluded that, in the words of one researcher. "this country is really very conservative.



tionship as those who have sex prised to find, however, that inter-infidelity," the researchers said, course was more important to a they found that husbands were

As for the type of sexual activity, heterosexual men who perform and receive oral sex tended to be happier than those who did not, but oral sex was not found to be necessary

heterosexual woman's happiness than to a man's.

Infidelity was found to be a threat to the stability of married and lesbian couples no matter when in the relationship it occurred, and to cohabiting complex in the first few years of their rela-

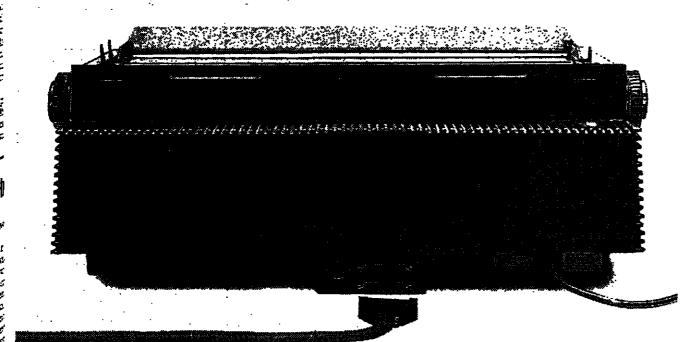
more likely than wives to repeat their extramarital activities. However, wives who had outside sexual relations were found to be less committed to their marriages than husbands who did the same.

In contrast, established male homosexual couples tolerated out-side sexual relations very well. While one extramarital act did About 90 percent of the homosex-

ual relations with other men, but it was nearly always casual sex. For all types of couples, the researchers found, the more equal the partners were in controlling how

money was spent, the more peaceful the relationship. Among cohabiting couples, those who kept their money separate were less likely to argue about finances. However, women who were economically independent were less likely to stay in

#### **OLIVETTI ELECTRONIC TYPEWRITERS**



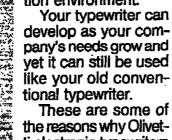
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#### **Democratic Confidence**

The health of parliamentary democracy came under scrutiny this week in Strasbourg, where the Parliamentary Assembly of the 21-nation Council of Europe has been holding a conference on the problems and outlook for representative government.

An assumption behind this conference is that the democratic system is under pressure not only from its announced enemies -authoritarian and despotic governments, or terrorist organizations - but also from certain developments within the democratic countries. These include the resort to extralegal forms of protest; single-issue political organization and voting; the influence of the media on politics, and the disillusionment with democratic government that can follow failure to deal successfully with economic crisis — to remedy unemployment, control inflation, pay for social security.

Those are indeed serious issues, yet it strikes us that one of the most impressive things about Western political life in the last decade or two has been the resilience and resourcefulness demonstrated by the parliamentary system. On the whole, in our view, it has not been losing ground, but gaining it. In not one of the established representative democracies has the system really faltered or even been seriously threatened.

Terrorism in West Germany and Italy was mastered morally as well as practically, without lasting damage to constitutional legality. The economic crisis that began in 1973 has not provoked the rise of antidemocratic parties; the comparison with what happened after World War I and in the depression of the 1930s is striking. An abuse of executive power in the United States was dramatically and democratically checked in the Watergate events and their aftermath.

The community of parliamentary nations has been augmented. Portugal awoke from years of authoritarian government to a revolution, but the result was installation of parliamentary rule. Spain has triumphantly moved into a new order of constitutional monarchy. Indian democracy survived the period of Mrs. Gandhi's emergency powers. The rule of the colonels in Greece ended in disorder and disgrace, and democracy returned. Chile and Argentina today may be edging back toward parliamentary rule.

In recent years it has been the undemocratic nations that have seen the most internai disorder — the places where people have become desperate, as in Poland, or have turned to large-scale violence, as in Afghanistan. Iran. Central America, Southeast Asia.

The demands made upon governments today are undoubtedly complex, and it is true that the democracies have fallen short in important ways. But the larger truth, which must not become obscured, is that parliamentary democracy continues to be more successful than any of its rivals in responding to modern challenges. Complacence is not called for, but there is reason to face the future with confidence.

INTERNATIONAL HERALD TRIBUNE

## Reagan's New Position

Despite changes on the American side, the Russians yielded nothing of substance in the last round of the strategic missile (START) talks, Ronald Reagan says. To move them off the dime, he offers further changes now. It is an approach that, some of the faithful are likely to remind him, he might have scorned in the past. Other Americans, whose main concern is for a good agreement, can only be gratified that he is reaching out to address the Kremlin's main strategic concerns, even as

he hopes it will address his own. Keep in mind the familiar and, in the past, not unjustified complaint that Mr. Reagan, in pursuit of an illusive superiority, sought to limit Soviet advantages without affecting American ones. Theoretically, the initiatives he announced on Tuesday would seem to dissolve that complaint. We say "theoretically" since the numbers have yet to be filled in and the process of a negotiation can go wrong in many ways. But the concepts look promising.

Mr. Reagan now offers two schemes for arms reductions. The first, reflecting the evolution of his initial approach, is to negotiate "trade-offs" of the strengths of the two sides - the destructive capacity of Soviet missiles. for instance, and the superiority of American bombers and bomber missiles. The second scheme, formally unveiled on Tuesday, is to write into the U.S. proposals a "build-down" requiring old weapons to be cut as new and presumably more stable ones are deployed.

There is more to the new American position than meets the eye. It reflects a substantial and continuing contribution both from members of Congress who were skeptical of the administration's earlier approach and from the bipartisan Scowcroft commission, which Mr. Reagan set up when his strategic policy bogged down over the MX. These outsiders accepted the Reagan double emphasis on strength and deep reductions, adding to it a second double emphasis on strategic stability and negotiability. The result is a proposal at once better tailored to diverse U.S. interests and more

certain of congressional and public backing. Mr. Reagan has been making analogous changes in the talks with the Russians on missiles in Europe. A measure of his success is the Kremlin's fresh protest that the Europeans

are becoming "parties to the U.S. conspiracy."

The START prospect was uncertain even before the South Korean plane disaster. But Mr. Reagan acted the leader in keeping his balance and ensuring that the Washington debate over his START policy stayed open. In roughly similar circumstances, Lyndon Johnson postponed his planned arms control debut, and Jimmy Carter could not sustain the drive to have SALT-2 ratified.

At present, Mr. Reagan has two of the three ingredients of real progress: an evolving position and growing support for it. What he does not yet have is a Soviet partner.

- THE WASHINGTON POST.

#### Other Opinion

#### The United States and China

After two and a half years of deterioration, Sino-American relations took a great leap forward last week when President Reagan and Premier Zhao Ziyang agreed to exchange visits in early 1984. The breakthrough can produce

major political and economic gains. China believes its interests lie in nonconfrontational relations with both Moscow and Washington. That's fine. It needs to devote more attention to modernization and economic growth. That can make China a major player in the global strategic balance and promote stability in Asia. Both sides should cooperate on reaching that goal.

- The Chicago Sun-Times.

In spite of the parallels that exist between Chinese and American interests, Beijing has no intention of acquiring the image of an American ally. Its main concern is to act as a counterweight in maintaining a balance be-tween Moscow and Washington. But if that balance should ever shift markedly in favor of the United States, one of the questions Beijing will certainly raise in an attempt to restore equilibrium will be that of Taiwan.

- Neue Zürcher Zeitung (Zurich).

#### Sorcerer's French Apprentice

The French plan to provide Iraq with Super Etendard fighters and Exocet missiles can be compared to an unskilled magician's attempt to show tricks he cannot fully control.

Reports from Paris have said that Iraq does not plan to actually attack Iran with Exocet missiles but plans to use them as a means to prevent an expansion of the war and also to compel Iran to negotiate with Iraq. Even if the missiles are not used in combat, Iraq can employ them to threaten foreign oil tankers cruising in the Gulf with the objective of choking the Iranian economy. In this case, the Gulf would be virtually blockaded.

France claims it will not sell Super Etendard fighters but "lease" them. This may be a generous deal proposed by the third-largest "merchant of death" after the United States and the Soviet Union. But can the French "lease" not be interpreted as [making France] a belligerent country with Iraq against Iran?

President Mitterrand may offer an excuse that the contract was concluded by his predecessor, President Giscard d'Estaing, [but] we urge him to reconsider his decision in order to honor French socialism.

- The Mainichi Daily News (Tokyo).

#### FROM OUR OCT. 6 PAGES, 75 AND 50 YEARS AGO

1908: Bulgaria Claims Independence CONSTANTINOPLE — It was nearly five o'clock [on Oct. 5] before the Porte, the Embassies and the Bulgarian Diplomatic Agency received confirmation that Prince Ferdinand had proclaimed the independence of Bulgaria at Tirnova at midday. Kiamii Pasha immediately called a meeting of the Ministerial Council, which decided to submit to the Sultan a protest addressed to the Great Powers declaring the action contrary to the Treaty of Berlin. A violent scene took place between Kiamil Pasha and Baron Marschall von Bieberstein, the Grand Vizier having reproached the Ambassador that Austria, an ally of Germany,

had combined with Bulgaria for the proclama

tion of the independence of the principality

in order to take advantage of the circumstance

to annex Bosnia and Herzegovina.

CARL GEWIRTZ

1933: Tammany Hall Stunned

NEW YORK - Tammany was dealt a crushing blow when the Broax Democratic committee voted unanimously to bolt the ticket head-ed by Mayor John P. O'Brien and support Joseph V. McKee, an Independent Democrat. The revolt, engineered by Edward J. Flynn, McKee's political mentor and a close friend of President Roosevelt, puts a united Bronx machine behind McKee. A second blow to the Tammany cause, which left old Hall leaders more stunned than the Bronx move, was the announcement by McKee that James J. Hoey, Governor Alfred E. Smith's floor manager at the presidential nominating convention last year, had agreed to run on the McKee ticket for the borough presidency of Manhattan. Just where the Fusion forces led by Fiorello LaGuardia fit in is doubtful at this moment.

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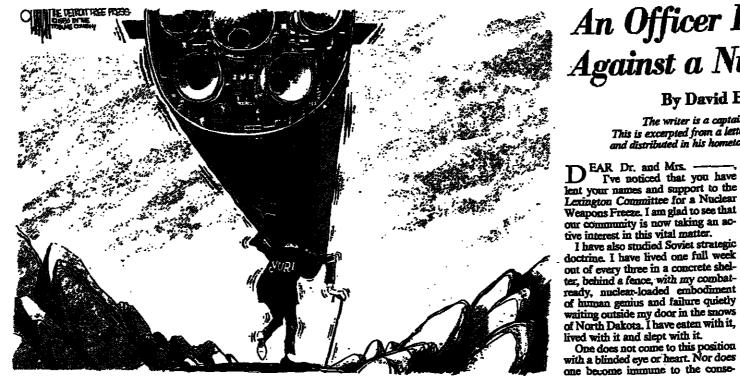
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## Why Can't the Kremlin See Its Interest?

WASHINGTON — Sometimes things have to get a little scary before anybody pays much attention. This may be happening in Washing-ton now with regard to U.S.-Soviet relations, although it is not yet seen to be happening in Moscow.

President Reagan is singing a gentler tune, and once in a while Speaker O'Neill thinks they should sing it together. For the first time in this administration the leaders of the executive and Congress agreed in advance on a new set of nuclear arms control proposals to be placed before the Soviet negotiators in Geneva.

These were approved in consulta-tion with the NATO allies. The proposals were not all that different from previous Reagan suggestions rejected by Moscow, but the president's approach and tone were different. He told Yuri Andropov, in effect:

Look, there is no way either of us can get everything we want. But maybe, step by step, we can get something: a brake on the development of more nuclear weapons, an agreement to keep them from polluting space.

Mr. Reagan is changing his tune because his fiery rhetoric was beginning to worry the British, the West

the years of military rule.

not exactly their trademark.

LONDON — Argentina's military government has approved a law granting the military

and the police immunity from prosecution for

crimes committed during the years of military

repression. Few in Argentina dispute the fact

that hundreds of leftists and their sympathizers

were killed and thousands were tortured during

Maybe the elections set for the end of the

month will bring to government true democrats

who will once and for all rid the country of its

less than appealing traditions. There is a good

chance, though, that the Peronists will return to

power, and scrupulous democratic behavior is

At an international colloquium on how to combat torture, held in Geneva earlier this year,

François de Vargas observed that although some

rare examples to the contrary exist in contempo-

rary history, in general the practice of torture continues even after change in government. Ei-

ther the new government has an equal disrespect

for human rights, as in Ethiopia and Iran, or the

same police system survives and the new govern-

ment is unable or unwilling to change it, as in Uganda and Equatorial Guinea.

inflict maximum pain in order to extract infor-mation, break resistance or simply intimidate, is

a product of civilization. Primitive man, in ani-

mal fashion, seems to have followed his instincts

Torture, the systematic use of violence to

By James Reston Germans and the Italians, on whose further behind in the computerized territory the new American cruise and Pershing-2 nuclear weapons will Mr. Andropov is no dummy. He

be placed in a few weeks. And also because the people of the United States were beginning to think that maybe America was drifting into deep and dangerous waters.
This is Mr. Reagan's dilemma: When he sounds too tough he is attacked at home, and when he tries to

compromise the Soviets regard it as a sign of weakness. They then try to exploit his conciliatory attitude to frighten the allies and separate Westem Europe from America, which has been their main political objective since the end of World War II. But the Soviet Union misjudges

both the United States and Western Europe. There was a time when many West Europeans thought that the Soviet Communists had an answer to the puzzles of modern life; but the Soviets have made such a spectacular failure of their lives that even the Communist parties of Western Europe no longer regard the Soviet Union as a model for their countries. The Soviets are falling further and world in every field except the pro-duction of military missiles.

has been trying to change the Soviet system, and to raise production on the land and in the factories, and to control inefficiency, absenteersm and drunkenness. But he is in trouble at home and in his East European empire, where the people hear the news especially in East Germany, and where people are beginning to know that life is better on the other side and are beginning to dream of unifying the German state.

Probably within the next few weeks, before the U.S. missiles are put in place in Europe, Moscow will offer to withdraw or destroy some of its SS-20 missiles if Mr. Reagan and the allies will agree to hold up the new deployment for a while.

That is not likely to be acceptable Washington. America and its NATO allies, despite the opposition of the "peace movement," are deter-mined to maintain a balance of nuclear power in Europe until the day, if it ever comes, when the Soviet Union.

agrees to reduce, verify and control all weapons of mass destruction. What is surprising and troubling is that the Soviets have so much to gain by cooperating with America rather than by opposing it, but don't seem

I have also studied Soviet strategic

One does not come to this position

to recognize the possibilities.
So Washington waits and wonders if the crisis in relations with Moscow will make officials there reflect on the dangers of the present mood and bring them back to Geneva with practical if not ideal proposals for the

limitation of nuclear weapons.

Unlike Mr. Reagan, they are not under the pressure of public opinion or elections - but they have memories. They lost more than 30 million lives in the two world wars, and no one knows how many wounded bodies and minds. And a little more news is beginning to seep through the Iron Curtain to their own and their captive peoples in Eastern Europe. At least the Soviet people know

that they are not selling grain to the West, that people are not trying to get into the Soviet Union but trying to get out, and that, whatever else the West does, it doesn't shoot down helpless civilian planes.

The New York Times.

of the torture and the confessions extracted.

out in the 17th century. In 1640 it was abolished

in England by law, although the torture of sus-pected "witches" continued for some time. After

the 1789 revolution, France made the use of

torture a capital offense. Most German states

and Russia abolished it early in the 19th century.

Indeed the European imperial powers did much to dampen down its uses in the many parts of the

Then torture returned with vengeance in the 20th century. It has reached a scale that dwarfs

In the civil war that followed the Russian

Revolution, torture was used sporadically. It was

Mussolini's fascists that were the first govern-

ment in the 20th century to make torture an

Much torture these days seems to have bizarre

sexual ingredients. It was the Marquis de Sade

two centuries ago who gave his name to sadism,

the sexual enjoyment of cruelty. It appears that when torture becomes part of the police appara-

tus of a state, sadists are attracted to it, or the

latent sadism that exists in many humans is

If 17th century Europe could undertake to outlaw torture, surely 20th century mankind

could try. Is the world now more civilized or less?

International Herald Tribune

brought to the fore and given license.

world where they had their empires.

even the darkest of the Middle Ages.

official policy of state.

Use of torture in Europe slowly began to die

## An Officer Puts the Case Against a Nuclear Freeze

By David H. Burton Jr.

The writer is a captain in the U.S. Air Force. This is excerpted from a letter he sent to President Reagan and distributed in his hometown, Lexington, Massochusetts.

DEAR Dr. and Mrs. quences of his mission. To the contrary, one's awareness is dramatically I've noticed that you have increased during those hours of waitlent your names and support to the Lexington Committee for a Nuclear ing for the klaxon. (Is it real, or another exercise?) Weapons Freeze. I am glad to see that our community is now taking an ac-

What then, you may wonder, could so possess a man that he would be ready to inflict such destruction upon his fellow men? Is it some sense of patriotism or chauvinism? No. It is the knowledge that by his very deter-mination, skill and willingness to fol-low that ultimate command he is serving the strange principles of the maintenance of Peace on Earth.

Let me state an extremely paradoxical truth: Nuclear weapons have been the single greatest force for peace that our generation has known. Their existence has made global war utterly unthinkable. So long as both sides have had a "second-strike capability" — that is, the power to inflict unacceptable losses upon the enemy even after suffering a full-scale first strike - the concept of either a preemptive attack or an attack to further one's political objectives has re-mained an absurdity. This condition has prevailed from the late '50s.

Advances in technology, as well as a relative neglect of our strategic forces (the B-52s I flew were older than some of our pilots), have upset this fragile balance. We are now entering an era when the greater numbers, destructive capacity and, most of all, accuracy of Soviet missiles can render a devastating blow on our retaliatory capability. The Soviet perception is shifting, and justifiably, toward the concept that they could survive, and even win, a nuclear war. There is nothing that could make their leaders happier than freezing the current strategic situation.

What then are we to do? The first step is to recognize that the opposing side has vastly different objectives. They need not be responsive to the demands of their people; they can manipulate those demands through their societal controls. They will make promises only when the making serves the state, and break them for the same reason.

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STANSOCK.

With the Soviets, you bargain from a position of strength, or you lose the negotiation. Unlike America, the leadership in the U.S.S.R. seldom changes and their objectives have never changed. What was true during the Cuban Missile Crisis is true today: The Soviets will be bluffed only

when you're not bluffing.
While a freeze of the current situstion may be desirable from the Soviet point of view, what's to motivate them to reduce their nuclear capability? The Soviet Union cannot afford another high-tech round in the arms race. They recognize that it a head to head technological-industrial competition they would lose despite multibilion-dollar efforts. If nuclear arms reduction were clearly the only alternative to an arms race, it is extremely likely, in the present economic, technological and political cli-mate, that they would choose it.

Thus we must show that we are not bluffing. We must vigorously pursue the president's arms program to restore our second-strike capability, or store our second-strike capability, or we can forget meaningful limits to nuclear weapoury, much less reduc-tions. Ironically, during this pursuit it will be our fervent prayer that the millions in research, design and test funds will have been "wasted" because the Soviets found our resolve to be credible. Of course they'll probably wait until we're ready to deploy the first new system before their first meaningful concession is made, but serious and meaningful reductions and a safer world for our families will result from our resolve.

Consider the worst-case result of this strategy: If it fails, we'll still have restored that stabilizing condition known as second-strike capability. We'd have done our part, for a while longer, to ensure the security of the free world.

On the other hand, the worst-case result of the freeze strategy is the fruition of your greatest fears. A freeze is the easy way out. It is free, and it is expedient, and so it appeals to the frustrated souls who share the strong gut feeling that something must be done. But it totally ignores the political and military realities. The New York Times.

Letters intended for publication should be addressed to the editor and contain the writer's signature, name and address Brief leners receive priority, and letters may be abridged. We cannot acknowledge all letters, but we value the views of the readers who submit them.

## Nigeria: When America Lets a Democracy Down

Torture, by All Accounts, Won't Just Go Away

By Jonathan Power

and killed his enemy as swiftly as the job could

be done. Archaeologists who have dug up prehis-

toric skeletons have found no evidence of tor-

ture. Even human sacrifices were made without

prolonged suffering. It appears, then, that man

existed for several hundred thousand years with-

out using torture, and that only in the last few

thousand years has it become a weapon of state.

subject, writes that the great Roman and Greek

civilizations left detailed records of torture. Both prohibited torture for citizens but permitted it

for others. In ancient Athens the testimony of a

slave was not considered reliable unless he had

been tortured. Rome tortured the early Chris-

tians and sent them into the arena to fight with

lions; as Rome became increasingly despotic in

its later years, even the free man could be tor-

The Christian Church, repelled by Rome's

torture of Christians, for a thousand years used

its strength in Europe to abolish torture. Until

the time of Pone Innocent IV in the 13th century

it was practically unknown in the Western world.

torture while a magistrate sat close by logging

carefully the instruments used, the duration

Heretics were forced to undergo systematic

But then the Inquisition brought it back.

tured for a wide range of offenses.

Egon Larson, who has made a study of the

N EW YORK — As the United States and the other IMF members wrangle over the U.S. contribution, the fund risks jeopardizing one of its key roles — stabilizing the eco-

nomies of developing countries beset by global recession.

The fund renounces any political role or political criteria for lending, but its support is sometimes vital for recipient countries trying to consolidate democracy. It must not now abandon this role in Nigeria, where a fledgling democracy is trying to weather severe economic difficulties. On Oct. 1, the 23d anniversary of Nigerian independence, Shehu Shagari began his second four-year term

as president. Five weekly elections starting in August, although marred by fraud and violent incidents, were a victory for democracy — a victory that surprised many skeptics. But this is not the end of the test. More challenges to democracy lie ahead -- at a time of economic malaise.

Nigeria depends on oil exports for 90 percent of its foreign exchange. It has been hard-hit by the oil glut brought by world recession; its \$14billion debt seriously threatens eco-nomic planning and the people's ex-pectations. The government has been looking to a projected IMF program to help it through its debt crisis.

For the moment, Nigerians are still preoccupied with the elections - the violent incidents that followed the presidential vote and the fraud in balloting, voter registration and au-thorization of polling places. There were, however, no detentions, pre-ventive or otherwise, and President Shagari is adamant that Nigeria shall not have a single political prisoner.

Paradoxically, the fraud can be interpreted as evidence of Nigerians' commitment to democracy. Local party members often did their rigging with an eye to 1987 elections, posi-tioning themselves to stake claims based on what they "delivered" this time. What is clear is that President Shagari won with strong support throughout the country - an important mandate for what the constituBy Jean Herskovits

tion dictates must be his last term. His greatest challenge will be to reassure Nigerians that the state can provide democracy and social justice. everal lawsuits over some of the election results are helping to dispel uncertainties about the voting, but he must also meet explosive charges that elected and appointed political fig-ures have prospered, often unethical-ly, while millions of already poor Nigerians bear growing hardships.

In his first term he launched an as yet rhetorical campaign against cor-ruption, but he himself despairs at how hard it will be to eliminate it. This term he must do more. He insists that this time he will

choose his own cabinet and advisers: no lists from party branches, no lobbying on the basis of results delivered. His party has a majority in both the Senate and the House. But to succeed, his programs must be accompanied by economic stabil-

ity. He recognizes this and accords economic questions a top priority. Even during the election campaign he did not lift tough austerity measures, meeting some of the conditions for a \$2-billion IMF program even before negotiations were begun. There is a limit to what he can do.

Oil revenues are improving as the world moves out of recession, but the slowness of recovery, global conservation and quotas set by OPEC mean that Nigeria's foreign debt problems will not disappear quickly, despite the basic soundness of its economy.

An imminent agreement with the IMF was expected to open the way to solutions. Instead, for the first time ever, a lack of funds threatens to halt all of the fund's new stabilization. The obstacle is America, the only

major contributor failing to authorize its quota subscription and thereby threatening the fund's liquidity. Ni-geria will be an immediate victim. Nigerians have never asked a foreign country to solve their problems,

nor do they ask it now. But they are entitled to ask that those countries that say they value democracy do not compound those problems. The writer, a professor of history at

the State University of New York at Purchase, visited Nigeria during the recent elections and contributed this comment to The New York Times.

#### LETTERS TO THE EDITOR

**Ouestions Remain** 

Regarding "RC-135 + KAL 007 = Some Questions" (IHT, Sept. 16): On the evening when the Korean Air Lines tragedy was reported. Swedish television showed an interview with a Swedish airline pilot. He said that, given the navigational equipment the Boeing 747s carry

him that such a plane could just stray hundreds of miles off course. As the din of propaganda flying in both directions went up, no one seemed to be asking how that happened. But American hawks had a field day, getting congressional ap-proval for the MX missiles and nerve gas. And it can be predicted that the stationing of new missiles around Western Europe this fall will go down a little more easily than it would have

nowadays, it was inconceivable to

before that catastrophe. Now we read that the RC-135 reconnaissance plane that was in the area presumably had the capability to head off the disaster and didn't. We

address the question squarely: How did KAL flight 007 go off course? LEO TREITLER.

What was the airliner doing for more than two hours over strategically sensitive Soviet territory? Why did the crew ignore commands to land? DIAKU ZANKPA-KPAKUBA. If I am to believe that the govern-

ment of my country's neighbor to the south has been frank, it must fill in the gaps of its version of the incident C.P. FOGARTY.

**Greek Objections** 

Regarding "Muzzling Papandreou, the EC's Problem Student" (IHT, Sept. 26) by Leopold Unger: Allow me to point out three factual errors in the above article: George Papandreou's government from 1964 to 1967. Civil war in Greece ended in 1949. 50, and not in 1947. Greek exports to East European

countries represented 6 percent of foreign sales in 1981 (IMF Yearbook. 1982) and 7.7 percent in 1982 (Statistical Bulletin of the National Bank of Greece, 1983) — and not 15 percent.
Furthermore, the Greek Socialist government won the elections because of its socialist program of national independence, social justice and democracy, rather than "with the help of anti-American slogans," as Mr. Unger would have it.

P. METALLINOS, Press Counsellor. Embassy of Greece, Paris.

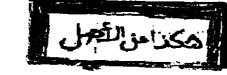
How About New Jersey? Amid all the furor stirred by Charles M. Lichenstein's statemen about the willingness of the U.S. delegation at the United Nations to be down at the dockside, waving you

lasted from 1963 until 1965, and not [the United Nations] fond farewell as you sail into the sunset," only your cartoonist Oliphant (IHT, Oct. 4) has bothered to point out that "you can't do that out of New York." Oliphant is of course right, in the sense that quitting New York for a foreign port would mean going east. But he over-looks the possibility that the United Nations could move to New Jersey, in which case Lichenstein & Co. could indeed wave into the sunset. C. GETZ.

> Sequoia in Normandy In "Heidelberg's Sequents" (IHT, Sept. 26), Pat Richmond writes "The sequoia has also been successfully cultivated in England, northern West Germany and on the shifts of Ealer

Germany and on the success
Geneva in Switzerland
To that short list may be added the
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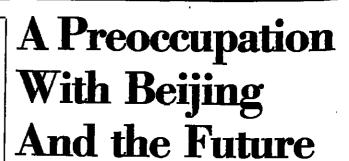
David H. Burton Jr.

**HONG KONG** 

Herald Eribune

A SPECIAL REPORT

THURSDAY, OCTOBER 6, 1983



Page 7

By Dinah Lee

HONG KONG -It took a typhoon in September to supplant the No. topic of conversation in Hong Kong. Even as the storm raged, killing eight persons, running 24 ships aground and causing millions of dollars in damage, some residents may still have been preoccupied with the question of the year. What will happen to Hong Kong after 1997.

The future of Hong Kong, the world's third largest financial center and a leading exporter of garments, toys, radio receivers, and watches, hangs on that data where the corresponding to the proof of the p

on that date, when the agreement with China ceding 90 percent of the territory to Britain expires.

To the millions of Chinese who have prospered here, it sometimes seems as preposterous a situation as it would if the city were Geneva, Rio de Janeiro or San Francisco. If from time to time the Beijing government has said that Hong Kong was really part of mainland China, or if a royal parade wrankled, local entrepreneurs could still reach into their wallets to reassure themselves that they could tolerate both Beijing's political pronouncements and Britain's colonial laissez-faire government. The fiction was perfectly balanced.

Manufacturing investment from the United States at 3.5 billion Hong Kong dollars, from Japan at 2.3 billion Hong Kong dollars and from the United Kingdom at 450 million Hong Kong dollars made the colony richer. Now, Beijing, watchful of possible reaction from Taiwan as well as on domestic politics, appears determined to take the colony back without diminishing its post, and for creating wealth.

China has depleted that on July 1, 1997, the conjection date of the 29

China has declared that on July 1, 1997, the expiration date of the 99year lease to Britain of the New Territories, the sovereignty and administration of Hong Kong will pass into its hands.

Hong Kong, once a trading post for opium, consists of Hong Kong Island, the 30-square-mile (77-square kilometer) business center of the colony, and Kowloon peninsula, four square miles (10 square kilometers), the manufacturing center, both of which were ceded in perpetuity by treaties in 1842 and 1860. The third element, the New Territories, consists of 375 square miles (970 square kilometers) of adjacent mainland and islands, leased in 1898 for 99 years. There is no water or food supply to speak of, nor are there energy resources independent of the New Territories. China maintains that all the treaties were illegal.

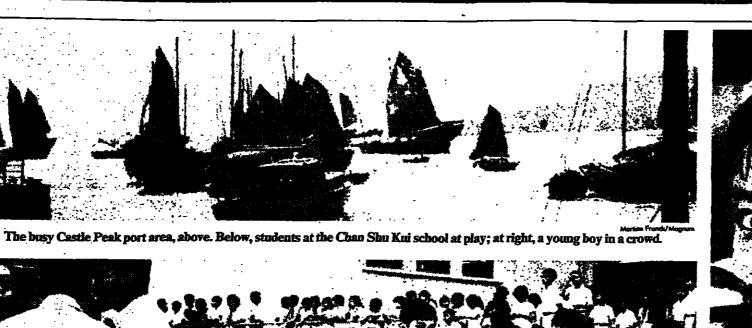
Both sides have declared that they wish to ensure, whatever happens that Hong Kong's prosperity and stability are preserved and that the resolution of status is both welcome and acceptable to the Hong Kong people. That is where the problems begin.

Officials from the British Foreign Office meet their Chinese counter-

parts in an elegant guest house in the Chinese capital in private but not inpublicized sessions of negotiations. So far this year there have been four such sessions, all inconclusive. Their purpose is to find new labels under which Hong Kong can continue to make money. The next round of talks is expected to be on Oct. 19 and 20.

"The crucial point is that Hong Kong people don't care what Beijing says Hong Kong is," said a source close to the British government. "The labels that Hong Kong belongs to Beijing or London have only minimally corresponded to reality for a long time. Any new label is all right as long

(Continued on Following Page)



## Low Hong Kong Dollar: A Barometer of U.K.-Chinese Talks?

HONG KONG — Hong Kong is the world's third argest financial center. With its thriving free port, it ranks among the top 20 trading economies of the world. It is the leading exporter of such products as toys, textiles, radio receivers and watches. But for how

In purely economic terms, the calendar reads 1997 for Hong Kong. The decisions affecting investment

sustained export recovery linked to the U.S. market, which takes 40 percent of its products, "Hong Kong should be leading the world in recovery," said Hong Kong's financial secretary, Sir John Bremridge. Instead, he said, the economic climate is weird. "Lack of confidence over Hong Kong's future leads to no new investments," he said and move this economy."

"A year ago that general body of opinion held that there was still a possibility that the Chinese government could be moved from its stated position, which was then not that clear," he said. "Since then the Chinese have spelled out in pretty precise terms whose investments," he said and move this economy." confidence over Hong Kong's future leads to no new investments," he said, and "Everybody is sitting on

The chairman of the Hong Kong Chamber of Com-merce, Jimmy MacGregor, blamed Beijing's sustained political campaign, which, he said, is aimed, "not at the hearts and minds of the five and a half million, but for the future are in limbo, pending the outcome of the current Chinese-British talks over the this 400-squareurrent Chinese-British talks over the this 400-squareuse 30,000 people — bankers, industrialists, businessmen — who make the decisions and move this

convened in Peking, "All our best people are leaving, our chief auditor, department heads, well, in fact, The Hong Kong dollar, local investment and com- "they've already gone to our branches elsewhere."

reporting of foreign exchange transactions or inward and outward remittances. Hong Kong dollars deposits have declined in the six months ending June by 4.182 billion Hong Kong dollars, down about 3 percent and offset by a substantial increase in foreign currency deposits of 25 percent. Much of this is accounted for by swap deposits, which enable Hong Kong customers to avoid the 10-percent witholding tax on Hong Kong

In any event, brokers and analysts said, there is a clear move away from Hong Kong dollars, even though the money appears to be staying within the local banking system. Elimination of the withholding tax on foreign currency deposits has encouraged an inward flow from offshore centers as well, further

confusing the picture.

"People are taking out tiny insurance policies in the form of U.S. dollar accounts — nothing significant

Hong Kong is a free-exchange market, and esti-nates of how much money has flowed in or out must said a local broker with one of the leading foreign

firms.
Mr. MacGregor concurred. "Some people have suggested that it is somehow disloyal, but I would say it's predictable, understandable, and part of the function of a free market. You don't hold onto assets that are

Many view the local currency as almost a barometer of local sentiment over the prospects for the continu-ing Chinese-British talks. On Oct. 4, the Hong Kong dollar reached a record low against the U.S. dollar of

As recently as last month, it was prevented from reaching the eight-to-the-dollar barrier by active intervention of the official Communist Chinese bank, the Bank of China. A more realistic picture of the dollar's weakness is the trade-weighted index, which registered 68.4, against the 1972 dollar at 100.

Although the government is believed to have asked (Continued on Page 10)



St. Paul's Cathedral in Macao.

## Macao: The Other Enclave Takes Transition Calmly

MACAO — Through the leftist Chinese press in nearby Hong Kong, China recently hinted that aftenit takes Hong Kong back from Britain in 1997, it will have to "regularize" the status of

the Portuguese colony of Macao.

But Macao, a peninsula and three islands covering six square miles (15.5 square kilometers) once the capital of Portugal's Asian empire, remains calm and confident about its future and relaxed about its relationship with

Six international banks have been selected for full banking licenses. Seven international hotels have been built or are planned for Macao's four million visitors a year. A television station is planned and improvements are scheduled for

roads, postal services and historical sites. Gambling, an economic mainstay and a pri-mary attraction for 75 percent of the visitors, mostly Hong Kong residents, continues 24 hours a day in four casinos.

The Portuguese, who have administered Macao since 1557, say China's special economic zone of Zhuhai and plans for offshore oil development could lead to growth of financial and

supply services in Macao. With that in the background, even the drastic drop in the local Hong Kong currency, used

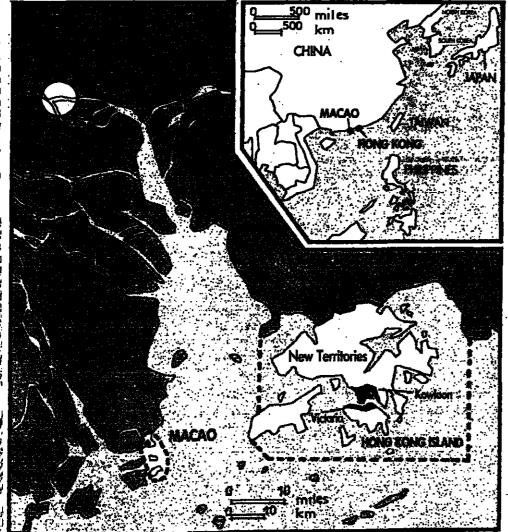
widely in Macao next to the pataca, has not overly depressed local bankers.

Politically, Macao, which has a population of about 300,000, progressed in 1979 from being a sleepy "territory under Portuguese administration," rather than a Portuguese tetritory, to a "Chinese territory under Portuguese administration" under a protocol developed when diplomatic relations were established between Lis-

bon and Beijing. Until recently it appeared that Beijing's unofficial representatives, lead by Ho Yin, were in control. Now after two and a half years under the newest Portuguese governor, Rear Admiral Vasco Almeida e Costa, the balance of power seems more delicate. The administration's em-

phasis clearly is on development. The admiral hopes Macao's embryonic textile and electronics sectors, which are direct spinoffs from Hong Kong, can lead to Macao's growth as a financial center and industrial investment zone. Under his administration, Macao has be-gun macroeconomic plans and statistical research. But the growth of exports from \$686 million in 1981 to an estimated \$750 million in 1983 is tied to rapid overhaul of the energy,

(Continued on Page 10)



#### BASIC DATA

POPULATION (1981): 5,021,066.

COMMERCE: Hong Kong's industries are mainly export oriented. The total value of domestic exports in 1981 was 80.423 billion Hong Kong dollars. The major markets were:

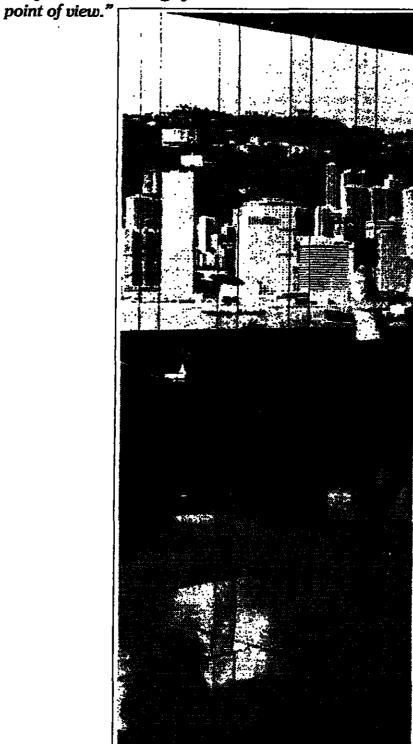
United States (36%), United Kingdom (10%), West Germnay (9%), Japan (4%), Australia (3%), Singapore (2%).

The total value of imports in 1981 was 138.375 billion Hong Kong dollars. The imports came mainly from Japan, China and the United States.

**BUDGET:** Revenue for 1981 - 1982 was 32.887,700,000 Hong Kong dollars. Expenditure was 25,061,800,000 Hong Kong dollars.

CURRENCY: The unit of currency is the Hong Kong dollar. \$1 = 8.64 Hong Kong dollars.

"Hong Kong may never be seen from a more magnificent



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#### **HONG KONG**

## Beijing and the Future

(Continued From Preceding Page)

as the people here know that the reality is one in which they can trust." On that score, the Chinese do not appear

to have done well among the crucial work force of Hong Kong, particularly among the middle class. Frequent public appearances of Beijing government officials have deep-

The chairman of the Far East Stock Exhange, Ronald Li, said recently: "It's about time the Chinese said what is going to hap-pen before 1997 — what's the use of talking about after 1997. They're already increasing their influence in Hong Kong now to the extent that it's damaging growth."

Like the Chinese proverb, the Beijing policymakers visiting Hong Kong have regularly picked up stones only to drop them on their

About six weeks before the first round of Chinese-British talks began in July, a member of the Chinese Politburo, Xi Zhongxun, assured visiting Hong Kong professionals that under Chinese sovereignty in Hong Kong after 1997, "Freedom in life will remain unchanged. People in our country also enjoy enough freedoms."

Mr. Xi seemed unaware of the effect his promise of mainland-style freedom would have on a population of free-marketeers, many of them refusees from communism.

A second stone dropped was the media campaign waged by the Chinese to win local public opinion over to a sort of modernized united front during a recent recess in talks during August and September.

Aware that there has been no cessation to the flight of capital from Hong Kong or of emigration inquiries by locals, Beijing sent its de facto representative and director of Xinhua news agency, Xu Jiatun, on a series of walks throughout the colony. In early August, Mr. Xu stopped to commend the residents of the Kowloon walled city, a selfregulating historical anomaly created by the 1898 Convention of Nanking, on their administration.

His comments were seen as an endorsement of Beijing's self-rule formula proposed for Hong Kong. According to Lee Yee, edi-

tor of a widely read political monthly, the Seventies, this could have been a "test bal-loon" by the Beijing representative. But it is not known whether Mr. Xu realized that the walled city is regarded by the Hong Kong

community as little better than a shum.

"If Beijing wants to have Hong Kong administered like the walled city, it would be a joke—everybody would leave Hong Kong right now," said Mr. Lee.

Then, Hong Kong received a shock in September when Beijing, on a campaign to round up criminals throughout China, arrested five Hong Kong citizens. The men were charged and executed for a series of offenses that ranged from robbing a store in the border town of Shenzhen to drug-trafficking and spying for the Kuomintang. Taiwan's national party. The severity of the sentences did not escape notice among Hong Kong's citizens. It provided a worrying counterpoint to China's assertion that after 1997. Hong Kong's existing legal system with its British derivations will be preserved.

A British observer pointed out that China's civil and penal traditions were a resoonse to a cumbersome and often ungovernable country where for hundreds of years casants have lived virtually untouched by formal government procedures.

"The Beijing government is now asking Hong Kong citizens, merely on the basis of assertion, to believe that in 14 years they will have evolved the institutions capable of assuming responsibility in Hong Kong," the observer said. "The British can't prove that the Chinese can't do it, but it's an enormous leap in the dark, and not one which is likely to generate confidence in Hong Kong's fu-

Mr. Li of the Far East Stock Exchange concurred. "They changed their constitution four times in 30 years," he said. "Why don't they do something consistent to inspire our faith in them."

The shaky optimism triggered by the resumption of negotiations between Beijing and London in July has, after four sessions, faded because of the uncertainty. The leftist press of Hong Kong has hammered at the fact that Britain's encouragement of local do not cooperate, Beijing will assume sover-



ECONOMIST'S VIEW: As the U.K.-Chinese talks on the colony continue, Xu Dixin, a Beijing economist in Hong Kong, said that it is "the Hong Kong government's responsibility to maintain the stability of the currency."

interest groups to voice opinions unofficially has had little effect. eignty in 1997 "or earlier." and taken a more soothing approach by sending a representa-

Many groups do speak up, nonetheless, and public opinion is in play now more than ever, underlining the basic irony that Hong Kong people have no official voice, recognized as such by both sides, at the negotiation table. Despite calls from local leaders and established principles of international law suggesting that a plebiscite or referen-dum should be held, Britain responds that Beijing would object and that would not help the talks. Beijing responds that Hong Kong is part of China, so a vote on Hong Kong's future would be a vote of one billion people

According to political analysts in Hong Kong, the Chinese, through leftist newspapers, are carrying on a campaign to win over the local government, the rest of the press and the professionals and academics. Student groups also were enlisted when China chose to channel its most definitive list of proposals for Hong Kong through the Hong Kong Federation of Students.

China says that sovereignty over Hong Kong will be assumed in 1997, that Hong Kong people will administer themselves and that Hong Kong's legal and economic systems will remain intact for at least 50 years. tive to make the rounds of Hong Kong schools, industries or leftist unions. Amid all this, irritation in official British circles appears to be mounting - both with China for its abrogation of an agreement to keep the content of the talks secret and with Hong Kong citizens for demanding more confident and aggressive public statements from the British side.

Said a source, "They want something quotable they can rally behind to restore flagging confidence."

But, all signs point to the talks being prolonged and acrimonious, particularly because they are still bogged down over the basic question of when the British should relinquish their hand in administration.

The Chinese maintain that sovereignty cannot be separated from the responsibility for administration. What is more, they appear to many to expect Britain to hand over in 1997 a perfectly packaged, self-regulating and docile ex-colony reconciled to an irre-

versibly socialist future. China may suspect Britain of siphoning away Hong Kong's wealth and perhaps even the assets of the Hong Kong government, 18.2 billion Hong Kong dollars, and the exchange fund itself, 14.3 billion Hong Kong dollars.

## The Talks: A Poker Metaphor?

HONG KONG - The deliberations between Britain and China on the future of Hong Kong may be explained in the framework of a poker

It is generally believed that Britain has the stronger economic hand and China the stronger political hand. Despite supposedly secret delibera-

pointical hand. Despite supposedly series dealed attions, this picture of the negotiations is emerging.

The Chinese team, led by Chinese Deputy Foreign Minister Yao Guang, is offering self-rule for Hong Kong and its 5.2 million inhabitants, under a locally elected chief administrator approved by Beijing. The legal system will remain, but appeals to a high court will move from London to Hong Kong. Free speech, press, right of assembly and right of movement are on offer, although onlookright of movement are on offer, although onlookers are skeptical when they look closely at China's

Internal security would be carried out by the Hong Kong police, but there have been hints through the press that a People's Liberation Army presence for territorial defense has been mentioned. Maintenance of a free port, issuance of a local currency and separate travel documents are also on the table. Social reforms applying to gam-bling, for instance, are to be decided by local guidance, but under whose influence or press

Finally, the Chinese say, top civil servants can stay to help administer the ex-colony. But the

British governor, flag and army must go.

The British team, led by the ambassador to
Beijing Sir Percy Cradock, and including the governor of Hong Kong, Sir Edward Youde, has kept its moves secret. But based on private conversations and leaks to the leftist press, Britain would separate sovereignty from the question of who administers Hong Kong. It also appears to seek a period of 20-50 years during which some British link acts as a buttress to Chinese promises for the future. And it wants China to abandon its formula for Hong Kong people governing Hong Kong.

The game has just finished its fourth round.

Some say China has tried to rig the outcome by offering Britain oil contracts and guaranteed trade. Others say Britain could cause trouble by freezing assets belonging to the local government, or invoking a United Nations charter for a referendum. Carr

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productive

Each side has some strong cards. Britain can bargain with financial skills, knowledge of the government and the territory and commercial experience. But observers point to China's ace, the People's Liberation Army, which is directly across the border and perfectly willing to threaten an early takeover if Britain does not cooperate.

And, while Britain may talk of a "moral respon-sibility" in the affair, China can respond with talk of the "reunification of the motherland." Britain did not strengthen its hand when it

recently adjusted United Kingdom passports is-sued to Hong Kong residents so that there could be no misunderstanding among Hong Kong Chinese about their lack of rights of abode in the United Kingdom. The decision was seen in Hong Kong as superfluous and badly timed.

Some Hong Kong residents worry that Britain, with few political interests compared with those of China at stake, may toss in its hand. Doing so, they say, would ease Britain's worries over an awkward trade gap, tough textile competitors and a lingering colonial burden. British observers scoff at such

But for China, clearly a disastrous hand-over would impinge on hopes for reunification with Taiwan. Futhermore, impairing Hong Kong's prosperity would be an enormous financial loss for China. On the other hand, if Hong Kong could administer itself successfully, relations with Tai-wan might warm, and the wealth of Hong Kong would continue, providing needed foreign ex-change, and domestic political points would be

So far, outsiders believe China is in the role of the dealer, since it was China's choice to return to the discussion table last July.

## **Industry Maintains Growth** Despite Colony's Fluctuations

facture of sophisticated transistors, systems and wafer chips.

Hong Kong's growth from a barcentury to a developing and overtory has been so rapid that some competitors may argue that it is too developed to benefit from preferential trade agreements such as the U.S. General Scheme of Preference of Preferenc

In fact, Hong Kong may have in mid-1981, leaving banking, property and investment circles se market has seen new issues from In July and estened Many neonla blamed political factors, but careless overlending by banks and widespread greed had fueled the

cycle. Many, like Michael Roberts, a director of Samuel Montagn, who arranged a financial package for the ailing Trafalgar Housing, be-lieve the worst of the property crisis

Industries such as textiles and electronics, meanwhile, have kept Hong Kong on a steady annual growth of about 9 percent for the decade ending in 1982. Unlike the

THE JEDDAH AL SALAM

MERIDIEN HOTEL

THE FRENCH ART OF FINE LIVING IN JEDDAH

HONG KONG - Industry in property developers with their United States to invest in Hong Hong Kong is a success story that glamorous buildings in Hong Kong and not Singapore - were began with making simple plastic Kong's central district, the entre made well before worries about the flowers. It now leads in the mampreneurs of Kowloon's sprawling economic recovery gave way to bigindustrial sites have turned in profcomputer peripherals, telephonic its throughout Hong Kong's ups pen in 1997. and downs.

time in two years, and most have been heavily oversubscribed.

Evergo Industrial Enterprise Ltd., Atlas Industries and Lambda Electronics have led the way, although some analysts criticized Lambda for mixing property ex-pansion with technical develop-

Skeptics worry about two things:- or freed from quantitative restrict at expansion is mostly limited to tions, in difficult negotiations with that expansion is mostly limited to rented rather than purchased ca-. the United States. pacity and that foreign investment decisions - such as the move by Commodore Electronics of the

made well before wornes about the ger concern about what will hap-Hong Kong's oldest industry,

Their success has depended to a textiles, employs 40 percent of ren rock in the middle of the 19th large extent on their ability to over Hong Kong's work force and hand assembly lines in days or makes Hong Kong the largest expopulated if under-resourced terri- weeks to accommodate a new fash- porter of textiles, yarns and finished garments in the world. In Manufacturing interests are anx- spite of recession, Hong Kong ex-

ported 33 billion Hong Kong dol-lars' worth of textile goods in 1982, However, Hong Kong's textile. er projects until the political uncer-tainties are resolved. Among the competitive Although brider books been courting disaster with its interests seeking investors' funds are full for six months, the industry: property boom of the 1970s. The are companies with contracts to is worried that trouble over quotas' real-estate and development bub. produce sophisticated business in the U.S. market, Hong Kong's ble, which began about 1976, burst telephone systems and computer biggest, will interrupt the business

> In July and August, Hong Konggarments ordered by U.S. whole; salers. Although the number of restrictions later was reduced to five, Hong Kong trade officials accused the United States of harassplained that some of the suspender tems had just been "liberalized,"

A leading exporter of sports west, Stanislaus Tsao of Lai Sur us Tsao of Lai Sun garments, explained the complaints with an example of Category 647— men's and boy's jeans made of a mixture of symbotic and cotton fi-

"In the last negotiations, Hong Kong was forced in the end to ac cept 279,000 dozen, or less than 38 percent of our traditional ceiling of one million dozen before the so called 'liberalization,' " he said.

The U.S. calls left millions of dollars' worth of garments in factories throughout Hong Kong.

The chairman of the Hong Kon Chamber of Commerce, Jimm Macgregor, predicted, "There is big danger for Hong Kong in promises will be given to the stron gest lobbies - including the textile lobby — and sooner or later the will have to be delivered on."

- DINAH LIE



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1982 Hong Kong Imports by Product 1982 Hong Kong Imports by Supplier

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Asia as well as China.

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#### The International Network

For more information on how you can trade with this dynamic multi-billion dollar market, contact any of the HKTDC's twenty-nine international offices.

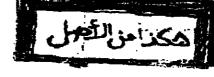
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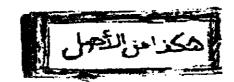
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discussion table ast July.

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#### **HONG KONG**

## Carrian Bankruptcy: The End of an Era?

on Oct. 2 of George Tan, chairman of the Carrian group. Under Mr. Tan, Carrian rose out of nowhere, funded by no one knew whom, to set up some the biggest property deals in Asia's memory.

Under his chairmanship, the Carrian group -so amorphous and extended as to be called recently by the Hong Kong Commissioner for Securities simply the "George Tan group"
— threatens to become the biggest bankruptcy of a private company in history with debts estimated to be between \$600 million and \$1

Carrian grew out of an obscure company called Mai Hon Enterprises and purported to be owned by Southeast Asian families, with the Chinese Singaporean Mr. Tan as its winning chief executive officer. He brought the company to attention with the quick turnaround of a luxury office block in Central District, yielding a profit of 400 million Hong Kong dollars, against a purchase price of I billion Hong Kong dollars, in only a few

In a second deal, Carrian reportedly paid 2.8 billion Hong Kong dollars for a hotel

HONG KONG — Nothing could have signaled the end of a remarkable era in Hong Kong's property sector more than the arrest dollars by 1985. It was the height of Hong Kong's property boom, and no one questioned where Carrian's limitless funds originated, least of all, it appears, about 50 creditors who continued to lend to Carrian. Carrian's reputation was made - but as what no one was quite sure.

With the collapse of the entire colony-wide property market boom in late 1981 and the fall of the local dollar after Prime Minister Margaret Thatcher's visit to Peking in late 1982, it appeared that Carrian's own billiondollar star would not rise again. Foremost among Hong Kong's collapsed property giants, Carrian and its mysterious links to large-scale Malaysian funding, primarily

from Bank Bumiputra, began to emerge. Bank Bumiputra's own debts to Carrian appear to be somewhere between from \$320 million and \$535 million. This fact is politically explosive in Malaysia, for Bank Burniputra, Malaysia's largest bank, was established by the government for the purpose of lending for Malay domestic development, not Hong Kong Chinese property speculation.

The lending was made through a Hong Kong finance arm, Bumiputra Malaysia Fi-

nance, and in July, a newly arrived officer of BMF, sent from Kuala Lumpur to investigate BMF's dealings with Carrian, was murdered. It is believed his murder was not connected directly with BMF's Carrian investigation. (By then it was complemented by many other investigations conducted by various official organizations in Hong Kong). But clues in the murder hunt reportedly led to the raid.

The raid and concurrent investigations by the Hong Kong Securities Commission, the independent commission against corruption, and the Organized and Serious Crimes Burean, put off creditors' appetite to resuscitate the ailing company. The plan devised by the advisers, Wardleys (on behalf of creditors) and Hambros (on behalf of Carrian) looked permanently comatose, if not actually offi-cially dead. Mr Tan, who was once seen as a local wunderkind, appeared in the magis-trate's court on Oct. 4 on charges of fraud. His executive director, Bentley Ho, was also charged with false accounting. However, it is unlikely that the saga will end neatly. "The real story is to be found in Malaysia, and it is unlikely first that investigators can unravel it all, and secondly - how could any jury understand it," a well-placed source said.

Membership legislation will also be reviewed, and, according to Mr. ingl company to a material extent." Li, banks probably will be allowed

With 14 years to go before the

DINAH LEE trol over their activities.

#### banks, 29 licensed and 221 registered deposit-taking companies must reach with their external auditors on the extent of such provi-

suspect may one day turn sour,

By Jo McBride

estate market in collapse, a manu-facturing sector in recession and a

political future in doubt, apprais-

ing the lending assets of Hong Kong's financial institutions is dif-

Less so, but still debatable, is the

valuation of their offshore loans to

developing country borrowers in the Asia-Pacific region — especial-

HONG KONG - With a real-

Kong's Legislative Council wil likely approve this month. The clause requires that an outside auditor undertaking an annual inspection should report to the government "any matter, which, in his

opinion, adversely affects the financial standing of a [deposit-tak-A banker, who asked not to be memberships through corporate identified, said, What this amendment does is to enshrine in law the not very nice principle of squealing

> The failure of a handful of deposit-taking companies at the turn of this year has stiffened the government's resolve to tighten its con-

government took over Sept. 27, take limited quarterly reviews of when the institution could not meet deposit-taking companies' clients.

its liabilities to its clearing banks. the Legislative Council.

ly given fears generated by defaults in Latin America and Eastern Eu-And while assets and liabilities making their way through the sioner for deposit-taking compamust match, the clue to judging council chamber for some time. But nies, Colin Martin. balance-sheet quality is in the pro-visious made by financial institutions to take account of loans they sponsibilities on auditors.

Today, the meeting of minds that each of Hong Kong's 131 licensed hattan), BOT International (owned spots in the balance sheet. by the Bank of Tokyo). BA Asia (a Bank of America subsidiary), LBI sions, appears to be taking a little Also involved is a controversial clause in a measure that Hong

> nese banks. syndicated credit instruments on behalf of borrowers in the Asia-

Some executives of deposit-taksentiments about the auditor's responsibility clause. But Robert Gaff, chairman of the auditing standards subcommittee of the a whole lot of leg room to the Hong Kong Society of Accoun-

The two major shareholders of The subcommittee believes the one failed deposit-taking company, manner and timing of the newly Dollar Credit and Financing were required report look vague. In-also shareholders and executives at stead, it recommended a system the Hang Lung Bank, which the under which auditors would under-

Controversy on Proposed Banking Rules

s liabilities to its clearing banks. Any problems uncovered by Financial Secretary John Brem-these examinations could then be ridge, had secretly kept the Hang raised with the clients while the Lung acquisition bill ready for worries were current, rather than some months so that it could be after the close of the financial year approved at a moment's notice by when the audit is done. If necessary any difficulties could then be New regulations covering the op- brought by the auditor and his clierations of all banks have been ents to the attention of the commis-

they do not include the clause im- What irritates critics is the composing additional reporting re-missioner's known preference for not accepting bank and deposit-Hong Kong's deposit-taking taking companies annual accounts companies range in size and stature with qualifications from their audifrom very large to very small. At tors. The critics believe that qualifithe top are institutions such as cations could focus the commis-Chase Asia (owned by Chase Man-sioner's attention on possible weak

As a result of the commissioner's view, auditors who are unable to Finance (which belongs to Lloyds agree with clients on such matters Bank International) and many as the extent of provisions to be more wholly-owned subsidiaries of made against risk assets going bad leading U.S., European and Japa- and wish to qualify their opinion of the accounts, can find themselves Together, such institutions last fired by the client who then apyear packaged about \$24 billion in points a more compliant account-

ing firm For his part, Mr. Martin ac-Pacific region, for which Hong knowledges that he "would much Kong is the lending hub.

For all part, Mr. Martin acprefer, if humanly possibly," that banks' and deposit-taking compaing companies express negative nies' annual statements be free of qualifications, because these accounts are open to public scrutiny and such caveats can undermine depositor confidence.

Hong Kong Society of Accountants, said the new legislation was has been open to auditors and cliinsufficiently positive to allow au- ents of financial institutions who ditors to discharge both their tradi- are unable to resolve their differtional duties to shareholders, and ences. These problems aside, the "the responsibility which we do performance reflected in the 1982 feel" to the community at large. accounts of Hong Kong's 30-odd

locally incorporated banks is as mixed as the commercial environment in which they operated.

The Hongkong and Shangha Banking Corporation, which with its subsidiaries is widely thought to have about 60 percent of all local currency deposits, had a consolidated net profit increase of 11.38 percent, low by its standards, to 2.357 billion Hong Kong dollars, on an asset increase of a little more

than 20 percent, amounting to 379.186 billion Hong Kong dollars. At the other end of the scale, the Chiyu Banking Corp., one of the 13 Beijing controlled banks in the terntory, which as a group are popularly assessed at having 30 percent of local currency deposits, saw its profit decline by 40 percent, to 14.6 million Hong Kong dollars, despite an asset increase of 60 percent, or 717 million Hong Kong dollars.

Both institutions increased their capital during the year. No carnings figures are available for the branches of the more than 90 foreign banks doing business out of the territory. Like deposittaking companies they are often active in lending offshore to boxrowers in the Asia-Pacific region, which - with Latin America and Eastern Europe now unpopular has in the last 18 months become one of the few relatively bright

spots in international lending. Increased competition has led to a shrinking of the interest banks can earn on loans, falling to as little as .375 percent over the cost of their funds, which are typically borrowed in the London-based Eurodollar market.

By the middle of this year entities from Australia, Thailand, Malaysia and South Korea had all been able to obtain loans at this rate - though this has changed somewhat since then - putting them on a par with many Western European borrowers.

## **Stock Market Follows Mood of Talks**

HONG KONG - Brokers have will turn out," said Hatim Hoosen- before Mrs. Thatcher's 1982 tour to their own way of referring to the event that sent the Hong Kong stock market to a low of 676 on the Hang Seng index last December. They call it "B.T." — before

They are referring to the visit to Beijing by Prime Minister Marga-ret Thatcher of Britain in September 1982. It was from that visit, and her assertion there that Britain regarded its treaties with China for the island of Hong Kong, Kowloon and the New Territories as valid, that the political chill dates.

Whether brokers agree with Mrs. Thatcher's political style or not, they rightly pin B.T. as the beginning of a volatile and paradoxical period for the four local Hong Kong stock exchanges. Despite the rise of almost 60 percent between the market's nadir on Dec. 2, 1982, and its highest closing point last July (after news that the Chinese-British talks would soon resume), the Hong Kong stock market has managed a partial and disappointing recovery. That has been largely dependent on overseas institutional interest and locals. (On Oct. 4, the Hang Seng index reached 690.06, down 24.95, its worst level this year).

ally of W.I. Carr and Sons. "Until less than 30 percent currently. the political question is resolved,

Following the property collapse in 1981 that brought big speculatotal turnover halved to 46.2 billion Hong Kong dollars from the previous year. The climate for raising new funds was arid.

Brokers now say that last year's calls from struggling property companies that had been denied new funds from already overextended bankers. In a case like the now- proving." famous Carrian disaster, the debts sibly as much as \$1.25 billion, with about 50 creditors including Hong Kong's leading banks involved.

more confidence in new issues, and late summer saw a flurry of entries square" complex. motivated by the availability of ex-

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The most popular manufactorany progress on Hong Kong's ex- ing stocks have been those that exports will not show through on the ploit the U.S. economic recovery and demand for sophisticated electors such as the Carrian group, Eda business telephone systems. An ex-Investments and Bylamson and Associates to their knees, 1982 saw metals house, which was more than 20 times oversubscribed.

"When you have new issues in Hong Kong that are 10-20 times oversubscribed, the local guys are going to come in because they are share issues were more like distress speculators at heart," said Mr. Hoosenally, "Even though the political situation is uncertain, the economic fundamentals are im-

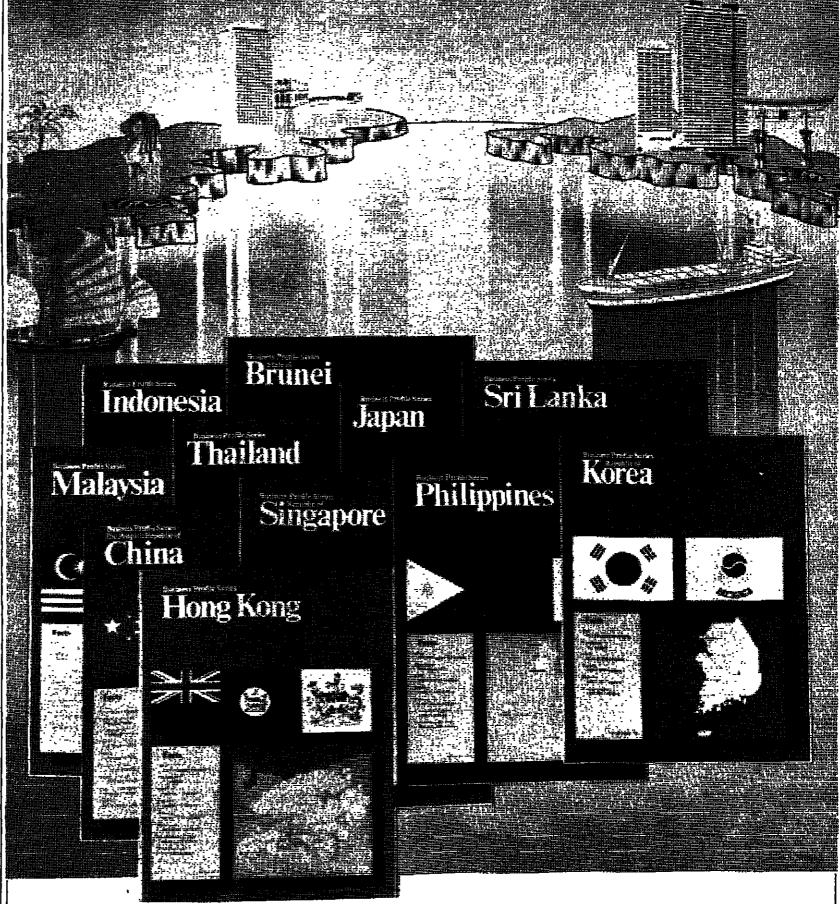
Politics or no, the Hong Kong are estimated to be least \$600 mil-stock exchanges — the Far East lion and as recently disclosed, pos-exchange, the Hong Kong stock exchange, the Kam Ngan exchange and the Kowloon exchange — are expected to merge under a 1980 plan and to begin trading in 1985 at This year there has been slightly the newly constructed "exchange

"When we merge, the exchanges cess liquidity. Moving into the will improve our overseas image, spotlight were manufacturing and centralize the clearing system. detrading equities. The market share vise certain methods to protect the "The local stock market is in of property stocks, on the other public better and also aim at inneutral because people don't know hand, shrank in contrast from creasing brokerage rates," said how the political talks about 1997

East Stock Exchange, Hong Kong's

ioint ventures.

British lease on the New Territories on clients, and in a way that leaves runs out, the act of building a new exchange appears to be an act of squealer. faith in Beijing's word that Hong Kong's economic and financial institutions are to remain the same



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#### **HONG KONG**

leather and suede, silk and fur -

and aimed at the top of the market.

of the trade council, said afterward.

known to the world.

Len Dunning, executive director

Though a small number of or-

creator Kai Yin-Lo, who was one

of the first to design the now fash-

## Young Designers Bid for a Place in World Fashion

By Winsome Lane HONG KONG - Vigorous attempts by Hong Kong, once a synonym for cheap, shoddy clothes, to move its image up in the fashion world have been aided by its own voung creative talent.

Hong Kong labor, which once drew manufacturers because of its availability and low cost, is no longer cheap, but the expertise in fine tailoring and in the ancient Chinese crafts of hand-embroiders and beading probably can be found nowhere else in the world in such abundance.

for hard work, often alien to Westem industry, that makes the Hong Kong garment factory still an economical proposition for the overseas designer.

Top designers from the fashion capitals of the world are coming to Hong Kong to have their designs made up, and Hong Kong itself has bred a school of young designers who are selling and flourishing

These designers, all but one Chinese and all under 35, have been trained in Hong Kong. Their creativity and inspiration, however, are of Chinese origin.

Their use of the cheangsam, the mandarin jacket, and flowing

By E.J. Dunfee

HONG KONG — Hong Kong has few natural tourism resources, but it has tried to create

The Hong Kong Tourist Association, consid-

ered Asia's best national tourist office and rec-

ognized within the industry as pragmatic and

energetic, has tried to diversify the colony's

Hong Kong had long been thought of as a

financial capital and a place for bargain shop-ping. In the absence of efforts by private indus-

try, government tourism officials have attempt-

ed to widen the perspective by organizing tours

of the virtually undeveloped New Territories.

Despite aggressive marketing of the tours of the

countryside, called "the land between" the fi-

nancial colony and China, they have not attract-

However, tourism officials believe the tours

arrived in the colony, a 2.9-percent increase over

Tourism receipts last year amounted to 8.77

marketable attractions.

ed as many tourists as hoped.

These designers, all but one Chinese and all under 35, have been trained in Hong Kong. Their creativity and inspiration, however, are of Chinese origin.

robes and Cantonese opera, and particularly the use of embroidery and beading, is wholly oriental. Their designs parallel world

Tourism: Diversifying the Attractions

number of people arriving increased 5 percent.

A number of external factors are influencing

trends, interpreted with a Chinese voice. The beading and embroidery is currently fashionable around the world, and during a showing of Hong Kong fashions in Paris this year, the young designers featured in La Mode Chinoise at half the price of the embroidered Paris haute couture creations.

The craftsmen in Europe still doing the fine and complicated work have become almost prohibitively expensive. In Hong Kong, the Chinese refugees earn their living with crafts learned from grandmothers and great-grandmothers.

emperors' concubines, as well as

When Hong Kong first decided without any increase in quota. to develop style and quality, the Hong Kong Trade Development signers showed their clothes under

Council established its own ready- their own names - designs in to-wear festival attracting buyers from all over the world. It ended in 1979, when the Excelsior Hotel was the only suitable place for the

In 1980, the trade council for the first time had its own showing at the Paris ready-to-wear collections. Commercially it was a great success and orders flowed in.

This year there was another first, when the trade council showed clothes under the labels of individual designers and staged its own gala during the top designers' section of the collections.

It was also a calculated attempt to beat the quota restrictions that The arts of beading and embroi- Europe imposes on Hong Kong. dery embellished the gowns of the Quotas specify numbers of garments. If each garment is upgradthe costumes of the venerated ac- ed, to enter the more expensive tors in Cantonese and Peking op-era. markets, total income to Hong Kong can be doubled or trebled without any increase in quota.

(13-meter) skirts that are his trademark, was doing a brisk business in

Also showing in the Hong Kong Paris gala was a U.S. designer, Diane Freis, who lives in Hong Kong. She was described at the show by a top British buyer as "the greatest fashion hit of the decade."

She sells a loosely fitting, flowing dress in brilliant, clashing color combinations and diaphanous synthetic material that can be crushed into a ball in a suitcase and emerge

The dress, available in a variety of colors and prints, comes in one "We are here to make the name of size for one price, \$75. British and the young Hong Kong designers U.S. buyers say supplies cannot keep up with the demand. The designer, who has lived in Hong Kong ders were received, he said, "We for more than eight years, says she have done what we tried to do and gets her inspiration from the Far Eastern way of life and the high put them on the map; the rest will pressure world of Hong Kong. Some of the designers were al-ready known to the world. Jewelry

Hong Kong manufactures a vast range of knitwear. It has proved so popular that in 1981 Hong Kong already was selling to New York stores and had her own boutique in Bloomingdales.

place, the trade council and the Ragence Lam, Hannah Pang and International Wool Secretariat are Judy Mann were also selling worldorganizing a Hong Kong knitwear wide, and Eddie Lau, creator of festival in October, the first ready-to-wear festival to be held in Hong avish evening dresses with 14-yard Kong since 1979.

> Japan, which supplies most of the yarns used in the knitwear, but is one of the smallest buyers, is the main target of the festival.

Seminars and workshops have been held since the beginning of the year in which Hong Kong designers, spinners and knitters are advised by exporters on the requirements of the Japanese market. Tun by a Hong Kong businessman, More than 200 Japanese buyers are Stanley Ho. It has a casino turn-More than 200 Japanese buyers are expected, as well as many from the United States and Europe.

In January another major international promotion of Hong Kong iashion will be held in New York, when the most talented of the young designers will show their clothes for spring and summer in a show organized in conjunction with the National Retail Merchants Association of America.

The fashion show will be held with an exhibition of other Hong Kong products in the Sheraton Center. Hong Kong designers, who last showed in the United States in 1976, will offer the critical American public a spectacle called "The Return of the Five Toed Fashion

A Macao statue honors the first European to reach China by sea.

#### Macao: The Other Enclave

(Continued From Page 7)

water, telecommunications and transportation systems. The gambling syndicate, the Sociedade de Turismo e Diversoes de Macao, is run by a Hong Kong businessman, Until recently the bank performance to the local Hong-tong and Shanghai Bank kong and Shanghai Banking Corp. branch said, "The government has until recently the bank performance to the local Hong-tong and Shanghai Bank kong and Shanghai Banking Corp. branch said, "The government has until recently the bank performance to the local Hong-tong and Shanghai Bank kong and Shang over of about \$150 million annually. Ten percent goes to the government as tax, and another 10 percent goes to a development fund. Gam-bling dollars are used for specific road and housing projects as well as to build up a stronger loreign-

The new Portuguese administration, under the guidance of João António da Costa Pinto, secretary for economic coordination, was the first to draw up banking legislation, leading to the licenses for the international banks. In exchange, the banks have committed themselves

exchange reserve fund.

to help develop Macao. The new banks are the European

ing central banking functions was They can learn from other peoples the Banco Nacional Ultramarino. mistakes. The banks are expected Still the government's official to make a contribution." banker, its quasi-supervisory duties have been given to a new structure, of ideas and skills from the new banks, the IEM can create a finan-

The idea that the new banks. already fiercely competing for very limited existing business, will con-tribute significantly to building their own market has been received with mixed reviews.

cial center in Macao.

Some of the banks said that ask-Asian Bank, the Chartered Bank, ing them to set up a stock exchange Citibank, Banque Nationale de or a foreign exchange market in

out for all market to 14 perce

view that unemployment had dropped to nearly 3.9 percent from

May to June in Hong Kong where 3

percent is considered full employ-

"I think we shall see it staying

that way for some time to come.

The electronics and garments in-

dustries are already saying they are short of labor," he said.

In the short term, therefore,

Hong Kong's traditional resilience and entrepreneurial energy can carry the territory through its tortuous

wait for a resolution of the Chi-

nese-British talks. "The going is go-

sponsible for the concerns

Mr. MacGregor, who has a van-tage point from which he sees in-

vestment flow in both directions, said: "I know many cases of com-panies that are looking to sell out.

They won't say they've had enough

of it, they just say they'd like to have a joint venture with a foreign

outfit to put more capital into the

production systems and so forth. But the real concern, of course, is

that they want some of the fixed

assets out and their liquid assets in

Of course, there is no visible flood, and many international

firms involved in banking interna-tional law and certain kinds of

communications are in a different position. "We'd be here, just as

we're in Peking, no matter who was in charge," said an expatriate law-yer. "Geographically it's a perfect regional center, and our kind of business isn't so dependent on local

For their part, the Chinese some-

times appear not to weigh commer-cial concerns as heavily as they should. An official of the Chinese

Politburo, Xu Zhongoun, said last May: "No matter what, Hong

Kong will continue to prosper

U.S. dollars."

and Commerce International. also say that the banking legisla-Banco do Brasil has arrived, three tion is too vague. However, Mike

All of Macao's development projects would help reduce its depenthe Instituto Emissor de Macau. dence on Hong Kong, Macao offi-The IEM has introduced more reg-ulatory requirements for the banks he acknowledges Macao's economy and hopes that with contributions will always be linked to Hong

> Part of Macao's survival, he said, will be complementing the Hong Kong economy. "We felt that the traditional model for development --- textiles, transistors, and toys -was at an end," said Mr. Costa Pinto. He is directing the Macao economy away from its textile base (traditionally 80 percent of the territory's exports) and toward electronics, food and beverage process-

ing, tourism and financial services. Nevertheless, amid Macao's ancient, untended buildings, its crowded unkempt streets, some people voice skepticism about the speed of Macao's revitalization.

Marie Control

TRANSPORT TO STREET

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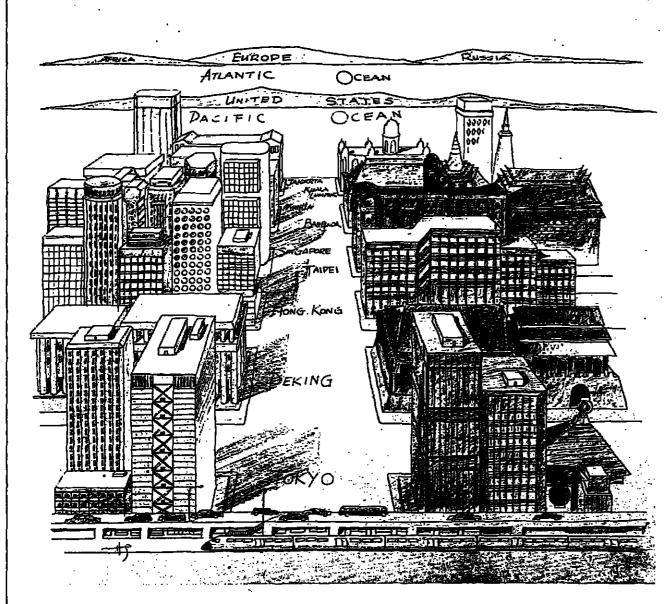
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#### **OUR TOWN**

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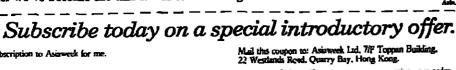
commonality that binds our town together.

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The Middle of the World

Single Property

## Barometer of U.K.-Chinese Talks

#### (Continued From Page 7)

local banks to aid the Hong Kong dollar, foreign exchange dealers

urally high for many months. All points. we can do is control abrupt moves. and we can't stop people taking a would risk damaging the embryon-position against the local curren- ic recovery of the manufacturing

The general climate was not as- renewed overseas demand. Already sisted by the unsolicited comments the weakening dollar has dampof a senior Chinese official visiting ened the purchasing of new equipfrom Peking the week of the dol-lar's fall in September. To the effect expected to grow at all this year. In that Hong Kong's government was the first half of 1983, many of the responsible for maintaining the major imported capital goods de-strength of the local currency, and clined in volume terms, the most responsible for maintaining the that "whoever issues bank notes significant being textile, machinery should be reponsible for them."

John said in a speech in mid-Sep-tember, "The depreciation of the half of 1982, prices of imports rose Hong Kong dollar is . not princi- by seven. not possible for the government to down in the U.S. recovery has not

fix the exchange rate of the Hong yet hit local shores. Shipments of Kong dollar to any particular lev-Hong Kong-made goods to the

A recent increase in interest rates dollars during the first seven saw few signs of government inter- of one and a half percentage points months of this year, or 30 percent did not seem to significantly help more than in 1982. In value terms "Half the problem with the ex- the dollar, but sources said that that is higher than exports to all the change rate is lack of political con- some members of the association of nine other major markets of the " said Sir John. "But to be banks had proposed raising rates fair the U.S. dollar has been unnat- by as much as two and a half

Too sharp an increase in rates sector trying to make the most of and transport equipment. While In what might be construed as a the prices of domestic exports and retort to the Chinese economist. Sir re-exports rose on average by 5

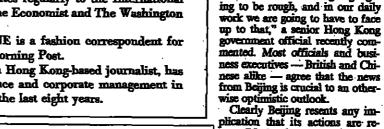
pally due to economic factors. It is Fortunately, any recent slow-

#### CONTRIBUTORS

EJ. DUNFEE is editor of Travelnews. DINAH LEE is a Hong Kong-based financial journalist who contributes regularly to the International Herald Tribune. The Economist and The Washington

WINSOME LANE is a fashion correspondent for the South China Morning Post.

JO MCBRIDE, a Hong Kong-based journalist, has written about finance and corporate management in Southeast Asia for the last eight years.





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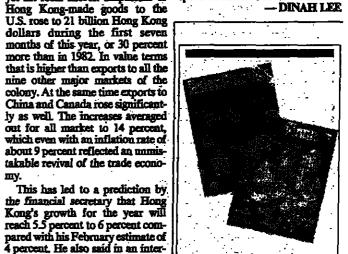


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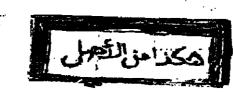
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merce to become Canada's second-

largest bank in terms of assets after

sets of \$63.7 billion Canadian dol-

lars as of July 31, has subsidiaries

\$7.6 billion. In addition to the

downtown Chicago bank, the hold-

ing company owns two suburbant banks and has plans to buy four

Earlier, Douglas Martin of the New

The Bank of Montreal's push into the United States is partly a

function of rather low returns on its

assets compared with other Cana-

dian banks, and partly a reflection

of its high involvement in the trou-

bled Mexican and Brazilian econo-

Arthur P. Soter, chief bank ana-

lyst for Morgan Stanley & Co., an

investment banking firm that acted

as adviser to the Bank of Montreal,

others for \$38.6 million.

York Times reported:

The Bank of Montreal, with as-

Harris Bankcorp has assets of

the Royal Bank of Canada.

#### THURSDAY, OCTOBER 6, 1983

#### WALL STREET WATCH

By EDWARD ROHRBACH

#### Some Analysts Guess Stock Market May Just Move Sideways for a While

som another "October Massacre" to a sharp new rise setting records, current stock market predictions, as usual, are accommodating all

Wift these extremes presenting investors with a choice between getting investors with a choice between getting investors with a choice between getting investor with a choice between getting investors with a

"From current levels, whatever correction lies ahead is likely to be recomplished more through time than price."

He predicts that during the next month or two Wall Street will

Market's 'relative

performance may

center on not making

mistakes rather than

outsmarting the pack.'

essentially move sideways, punctu-ted at worst by "shallow, single-light" closing-high-to-closing-low corrections in the Dow Jones inustrial average that are shortlived. He sees an interval when the aggregate market "does nothing" and allows the economic funda-

mentals to catch up. "A double-digit-percentage

price correction, were it to occur, would come from higher levels,"

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... Mr. Cooperman thinks that the corrections will not be "deep enough nor long enough" to justify raising cash reserves. "A more appropriate tactic to protect assets in a time correction is

swapping — moving out of sectors that appear extended on a price basis and into stocks that have already cycled down 10 to 15 percent in price," he said. "In effect, we are buying relative weakness, not strength, a key to success in a rotational market."

Stocks he mentioned in this category are Goodyear, Whirlpool, Alcan, "American Cyanamid, Dayton-Hudson and Lockheed. Stocks that he said Goldman Sachs favors even though they have not faller markedly are Burlington Northern, Ethyl, Student Loan Marketing Association (Sallie Mac) and Teledyne.

Fred Fracakel, chief investment strategist at Prudential-Bache, also

picks up this theme: "Relative performance (among investors) may center on not making mistakes rather than outsmarting the pack. Knowing when not to swing for the home run will be quite important."

Greg A. Smith, research director at Prudential-Bache, also sees Wall

Street cooling its heels. He discounts the likelihood of a major rise in stocks and describes the company's stand as neutral. "We see 10 percent or less upside and 10 percent downside in the market."

He says that the third quarter was "as bad as the first half of 1982" for investors, with stocks generally much weaker than the averages suggest.

"While the first half of 1982 went to the high-growth and high-hope ecyclicals, we suspect investors will acquire an appetite for less aggressive investments," he said. "The days of expecting doubles, triples and quads in the stock market are over for a while; we will have to learn to find 15-"to-20-percent returns attractive again."

Return of 'Total Return'

The investment concept of "total return" will regain popularity, he predicts, with some of the large-capitalization growth stocks as major

Robert Farrell, chief market analyst at Merrill Lynch, who has long favored these issues, believes that the "bull market should still have plenty of life in it," despite the third quarter showing.

In the last 20 years, he notes, the average first correction in a bull market lasted five to six months and resulted in a market-value loss of 10-12 percent. He figures that stocks may resume a broad upswing in October or November. "With the DJIA down 7-8 percent and the more speculative NASDAQ

fover the counter industrial sinff. 15 percent, the correction has already averaged out to the norm," he said. "We doubt the DJIA will exceed its third-quarter downside limit by much if at all because of the shift to quality. Speculative excesses may, however, require more correction."

Jack Solomon, chief technical analyst at Thomson McKinnon, shares the next few weeks, the majority of the list is more vulnerable. We suggest

a conservative strategy that emphasizes a reduction and upgrading of long commitments." Least volnerable groups, he said, are casinos, aluminums, steels, chemicals, metals, autos, soaps, food chains, leisure, machinery/construction, offshore drillers, fertilizers and textile/apparel.

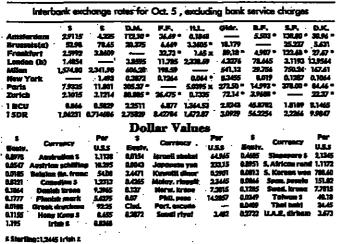
Also focusing on Wall Street's third-quarter performance is Purcell Graham's William LeFevre. Of seven market averages charted, he observes that only two, the Dow Jones industrials and the Dow Jones utilities, scored a plus for the three months.

This suggests that interest rates are headed lower (utilities) and that siness-cycle stocks (industrials) are in demand," he said. Drexel Burnham thinks that the major crises are past for International Harvester and it has put the stock on its "buy-2" list. It compares the company with Chrysler and estimates that from a \$13.85 loss this year it will edge into the black next and earn \$5 a share in 1985.

A new recommendation of Morgan Olmstead Kennedy & Gardner in Los Angeles is Standard Brands Paint Co. Dean Witter favors Brunswick. - International Herald Tribune

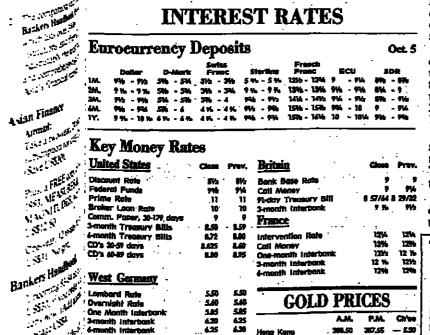
#### CURRENCY RATES

Interbank exchange rates for Oct. 5, excluding bank service charges



N.Q.: not available,

#### INTEREST RATES



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5% 6% 4 %

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386.50 387.55 -- 5.20 381.25 -- 4.25 392.67 392.44 -- 4.11 381.625 381.075 -- 5.125

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## Outlook for U.S. Steel Industry Brightens

Herald Eribune

BUSINESS/FINANCE

#### 2 Troubled Sectors Are Expected To Make Gains by Early Next Year

By Steven Greenhouse New York Times Service

NEW YORK — With the proposed merger of Republic Steel and LTV Corp., heavy layoffs at U.S. Steel and third-quarter losses predicted for nearly all the major producers, the American steel industry has been even more turbulent than usual in the last few

But there is apparently some good news around the corner. Analysts predict that the industry's limping sectors — structural elements and steel plate — will improve early next year as the anticipated upswing in capital spending materializes. They say that this should help revive U.S. Steel and Bethlehem Steel Corp., now the industry leaders, and should improve the prospects of LTV Steel, as the merged company will be called if shareholders and the U.S. government

New orders for capital goods such as machine tools and increased construction of highways, bridges and office buildings should raise both demand and prices for the industry's heavier products. Its lighter end, mainly sheet steel, has already recovered as auto output has

"We've seen a split market this past year," said Bernard Lashinsky, chief economist at Inland Steel Co. "The sheet steel market has recovered in 1983 and will continue to grow, but we're expecting heavier products to show the largest percentage improvement in

This year, the production of sheet steel, which represents about 40 percent of steel output and is used in appliances as well as in autombiles, rebounded to about 80 percent of capacity as consumer goods production led the United States out of the recession.

At the same time, the manufacture of heavy products such as structural steel, used in building construction; plate steel, used in machine tools, and reinforced bar, used in highway construction, has hobbled along at less than 45 percent of capacity.

National Steel Corp., Inland and Republic, all of which devote half

or more of their facilities to sheet, have benefited most from the upturn in that product. Sheet output in the first six months of this year was up 15 percent from the comparable period in 1982. At the same

To Near

Record

the near future.

NEW YORK — The New York

Stock Exchange climbed sharply to

near-record levels Wednesday in a

late buying surge paced by IBM.
The surge followed Treasury Secretary Donald T. Regan's prediction
of a lower federal budget deficit in

The blue-chip rally also saw air-line stocks rebound from last

week's drubbing and Harris Bankcorp climb sharply on a merger agreement with Bank of Montreal.

The Dow Jones industrial aver-

age, which fluctuated much of the

day after gaining 5.39 Tuesday, closed up 13.51 to 1.250.20, not far

from its record high of 1,260.77 set

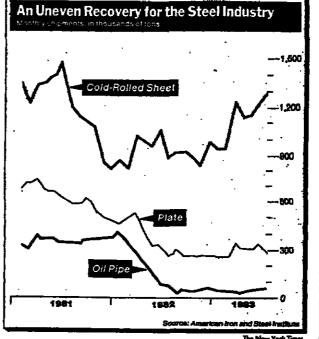
average, which had jumped 7.29 Tuesday, rose 10.36 to 578.44, and

the utilities average added 2.02 to 138.82, the highest level since 1969.

Advances topped declines 1,011-599 among the 1,982 issues traded.

million traded Tuesday as institu-

The Dow Jones transportation



time, production of structural steel in the period fell 15 percent, and

About half of LTV Steel's production would be sheet, with the rest divided among slower-moving products like oil drilling pipe and reinforced bar. And the company would nudge Bethlehem from No. 2

Over all, domestic steel production ran at 55 percent of capacity in the first half of this year, and analysts predict it will total 68 million to 70 million tons of finished product by the end of the year. This would be an increase from 61.6 million tons last year, but down markedly from 100 million tons in 1979. Mr. Lashinsky expects domestic steel

(Continued on Page 13, Col. 4)

The Marcos government has trade and industry, Roberto V.

come under increasing attack since Ongpin, said in an interview this

the assassination of the opposition week that several medium-sized

leader Benigno S. Aquino Aug. 21 U.S. banks had been horrified by

The devaluation announced Wednesday was the second since Marcos Wednesday said the devaluation had been ordered after the

ings and rising payments on its was considered essential in the re-\$18-billion foreign debt. In recent scheduling of outstanding Philip-

weeks, moreover, the Marcos gov-pine loans with various interna-ernment has been confronted with tional financial institutions," the

## **Bank of Montreal** To Buy Harris For \$546 Million

CHICAGO — The Bank of and would jump ahead of the Ca-dontreal, Canada's third-largest nadian Imperial Bank of Com-Montreal, Canada's third-largest bank, agreed to acquire Harris Bankcorp Inc. of Chicago for about \$546.6 million, the companies announced Thursday.

Harris Bankcorp is the parent of Harris Trust & Savings Bank, the third-largest bank in Chicago and the 33d-largest U.S. bank.

The agreement, approved by directors of both banks, provides that Harris stockholders receive \$82 for each of their shares. Harris has about 6.66 million common shares

outstanding.

In addition, trustees of Harris

Canadian Bank's Strategy family trusts and individual mem-

bers of the Harris family, representing more than 25 percent of Harris' common shares, have agreed to sell their shares to Bank of Montreal for \$82 a share.

They also have agreed to vote their shares in favor of the proposal at a special stockholders' meeting, the companies said. The agreement is subject to ap-

proval by Harris Bankcorp shareholders as well as regulatory agen-

If the acquisition is completed, the Bank of Montreal would be-come the largest Canadian finan-

said that Harris is strategically situated for developing business with medium-sized companies. This socalled middle market is considered by many banks to be especially lucrative because medium-sized Dow Jumps Manila Devalues Currency by 21.4%

companies usually must pay considerably more for loans and other banking services than do larger

Like the Bank of Montreal, Harris had traditionally catered to large corporations, but in recent years, as competition for this business became especially keen and as profit margins narrowed, the Chicago bank changed its strategy and began to focus on middle-market companies. It also aggressively developed a credit card business.

nessmen, many of whom have be-come sharply disenchanted with him since the death of Mr. Aquino, the United States. International Monetary Fund had that they should put aside their "asked for drastic reforms as a con-dition to granting standby credit." political hostility in the interest of fending off both financial insolvency as well as the kind of political turmoil that could lead to gains for the violent left. The businessmen have replied

according to various accounts of these private meetings, that Mr. Marcos must listen more seriously to their calls for an honest invi of Makati joined in a peaceful proprovide it with further access to ter, was quoted as saying in recent days in Washington, where he has been negotiating with the IMF,

He is said to have told the busi-

Ronald Reagan for indefinitely postponing the visit to the Philippines that had been planned for eign banks from lending the Philippines that had been planned for eign banks from lending the Philippines that had been planned for eign banks from lending the Philippines that had been planned for eign banks from lending the Philippines that had been planned for eign banks from lending the Philippines that had been planned for eign banks from lending the Philippines that had been planned for eign banks from lending the Philippines that had been planned for eign banks from lending the Philippines that had been planned for eign banks from lending the Philippines that had been planned for eign banks from lending the Philippines that had been planned for eign banks from lending the Philippines that had been planned for eign banks from lending the Philippines that had been planned for eign banks from lending the Philippines that had been planned for eign banks from lending the Philippines that had been planned for eign banks from lending the Philippines that had been planned for eign banks from lending the Philippines that had been planned for eign banks from lending the Philippines that had been planned for eign banks from lending the Philippines that had been planned for eign banks from lending the Philippines that had been planned for eign banks from lending the Philippines that had been planned for eign banks from lending the Philippines that had been planned for eign banks from lending the Philippines that had been planned for eign banks from lending the Philippines that had been planned for eign banks from lending the Philippines that had been planned for eign banks from lending the Philippines that had been planned for eign banks from lending the Philippines that had been planned for eign banks from lending the Philippines that had been planned for eign banks from lending the Philippines that had been planned for eign banks from lending the Philippines that had been planned for eign banks from lending the Philipp ries of meetings since Sunday with the country's leading businessmen and bankers in an attempt to enlist their support in dealing with what has rapidly turned into a financial crisis as well as a political one.

> seeking to enroll consumers across For the Bank of Montreal, acquiring Harris would be a major step in the Canadian bank's mounting drive into the American

market, analysts said. Acquisition of the Chicago bank, however, might force Bank of Montreal to divest itself of its other bank holdings in the United States because American law, up to now, prohibits interstate banking.

## Regan Predicts Approval of IMF Bill

as he returned from three years of

The government in recent years

an \$800-million balance-of-pay-

problems of sluggish export earn-

self-exile in the United States.

was lowered 7.3 percent.

Several hours after the an- the flight of local capital abroad statement added.

nouncement, several thousand of- and with the unwillingness of the

Big Board volume climbed to WASHINGTON — Treasury Secretary Donald T. Regan said 101.7 million shares from the 90.3 Thursday he believes Congress will tions bought heavily in selected isapprove the \$8.4-billion increase in the U.S. contribution to the Inter-"Regan's statements that the adnational Monetary Fund, but preministration won't seek a tax indicted the vote "will be a squeak-

Campaign Committee sent letters to the home districts of 20 con-

gressmen accusing them of "sup-porting Communism" after they

opposed an IMF bill amendment

prohibiting the United States from

supporting IMF loans to "commu-

The administration opposes

measures that would politicize loans made by the IMF and had asked for defeat of the amendment.

Democrats, angered that the

press releases were sent after they had sided with the administration

on the issue, have said they will

hold up action on the additional money for the international lend-

Mr. Regan said the only other

He noted that the same banking

By Colin Campbell

New York Times Service

government devalued its currency

21.4 percent against the U.S. dollar

Wednesday in response to financial pressures that have apparently

been aggravated by political oppo-sition to President Ferdinand E.

The peso, which had been 11 to the dollar, was devalued to 14 to

the dollar. The central bank said

the move was necessary because of

ments deficit in the third quarter, a

strong U.S. dollar, "increased spec-

ulation against the peso and the

need to prevent further erosion in

fice workers in the financial district

the international reserve."

MANILA - The Philippine

next month.

crease and his projection the bud-get deficit would fall to \$100 billion in 1985 from about \$200 billion Mr. Regan hinted that Demoapparently sparked the late buy-ing," said Robert Stovall, Dean cratic congressmen will be given "an explanation" - but not the Witter Reynolds vice president. apology they have sought - for a controversial letter attacking them He also said the fact that prices after they supported the adminisdid not collapse on news of debt problems in Argentina and Brazil tration position on the bill. He said once that issue is settled and a showed the market has become compromise is reached on domestic housing, the IMF bill will be ap-This is the beginning of the

fourth quarter and big investors are buying back some of the stocks they sold last week," said Kevin think it "It will be a squeaker, but I do think it will go through," he said in a breakfast speech to the U.S. Chamber of Commerce. Keeney of Southwest Securities, The Republican Congressional

"The market is rebounding from last week's selloff and we're not chasing it because there are too many uncertainties in the near term," said Harry Laubscher of Paine Webber. "But the positives outweigh negatives over the long

Investors were encouraged that federal funds rates dropped to 9% percent after rising earlier in the

On the trading floor, blue-chip IBM was the most active NYSElisted issue, up 11/4 to a record close of 1311/L IBM is expected to introduce its Peanut home computer

Among the other high-technoling agency until they receive a writ-ogy issues, General Electric rose 1 ten apology from President Ronald ogy issues, General Electric 11/2 Reagan.
to 55%, Westinghouse Electric 11/2 Reagan.
"I don't think the Reagan adufacturing 21/4 to 851/2, RCA 21/4 to ministration should apologize for 34, NCR 3 to 130, Motorola 34 to acts outside of its control," Mr. 1441/2 and Zenith Radio 1% to 31%. Regan said. "Nonetheless, I think

Kroger Co. was the second. an explanation is owed." ost-active issue, off % to 37% with a block of 960,000 shares at 37½ thing holding up the bill is a resolu-The company had no comment on tion on housing authorization. The company had no comment on

Blue-chip American Telephone and finance committee that deals & Telegraph was third on the list, with the IMF bill also handles housing -- "and their priorities are

domestic housing" needs, "then m- bution to the IMF as part of a \$42

struction and emergency housing different versions which must be for the unemployed besides making worked out in conference. The numerous changes in housing laws. United States now contributes ap-The bill authorizes an increase of proximately \$16 billion yearly to \$8.4 billion in the American contri- the IMF.

ternational lending." billion in increased quotas from
The housing measure appropriates money for subsidized conboth the House and Senate but in

pines more money. The minister of

the sight on television of street

"The IMF credit line, in turn,

Cesar Virata, the Philippines'

fighting in Manila.

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October, 1983

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European Banking Company Samuel Montagu & Co.

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Salomon Brothers International

Société Générale

IBJ International

Morgan Grenfell & Co.

The Nikko Securities Co., (Europe) Ltd.

**Orion Royal Bank** 

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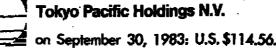
Manufacturers Hanover

Morgan Guaranty Ltd

Bank of Tokyo International

S.G. Warburg & Co. Ltd.

Weekly net asset value



Listed on the Amsterdam Stock Exchange

Information: Pierson, Heldring & Pierson N.V.,

Herengracht 214, 1016 BS Amsterdam.

Close 131 17% 65% 27% 24 20 20 46% 34% 102 35% 16% 26% 16% 1.00% 37% 44% 35% 35% 26% 26% 26% 35% 100% 37% 15% 17%

**NYSE Diaries** 

.40 2.37 .48 .165 1.56 56 2.48 1.00 1.60 3.38 1.15

Odd-Lot Trading in N.Y.

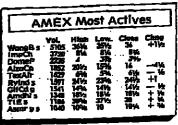
12 Month High Low Stock

Low Clase Cirge 9437 9730 +0.79 111.71 112.83 +0.84 70.73 97.54 +1.83 49.85 49.89 +0.83 75.20 95.90 +0.79

288 223 277 17 720 320 320 322 372 372 10

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Dow Jones Bond Averages Cirps +0.07 +0.07 +0.07



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most profitable private bank, its leading whole-

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1.000 1.000

16 ADD THE BOOK TO THE BOOK TO

> BALANCE SHEETS - DECEMBER 31, 1982 AND 1981 (Currency - Thousands of Turkish lira)

**ASSETS** 

Bits discounted

Short-tem

Medium-term

Commercial

Interbank

Time deposits

On income

Share capital

Revaluation surplus

etained earnings

Savings and certificates of deposits

Reserve deposits at Central Bani

Less: Allowance for possible losses

FMC V.B. 1.86
FMC V. 255
FMC V. 255
FMC V. 265
FMC V. 2

1981

9,228,289

1,462,199

189,000

32,616

15,000,677

15,185,291

15,175,118

184,614

(10,173)

127,531

1,283,968

550,985

28,091,090

9,049,897

4,259,482

8,314,678

307,563

989,359

1,062,269

867,489

1,686,027

222,794

500,000

250,691

750,691

28,091,090

27,340,399

22,310,615

1982

17,997,966

6,737,077

114,924

557,202

25,398,070

3,005,716

28,403,786

(802,013)

27,601,773

964,486

967,197

1,198,184 5,678,604

61,817,413

16,333,566

7,118,197

19,422,616

43,713,443

5,556,174

2,624,550

5,406,741

651,662

633,698

59,062,134

1,665,010

215,619

874,650

2,755,279

61,817,413

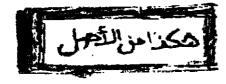
475,866

343,170

495,894

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#### **BUSINESS BRIEFS**

#### Nippon Telegraph Says It Will Buy Supercomputer, Data System in U.S.

TOKYO (Combined Dispatches) — Japan's government-owned tele-communications monopoly, Nippon Telegraph and Telephone Co., said Wednesday that it would purchase a computer system and an advanced traffic information collecting system from two American companies. Nippon said it had agreed to procure a supercomputer from Cray Research Inc. of Minneapolis and the information collecting system from

American Telephone & Telegraph International Co. Nippon and the AT&T unit will jointly develop the information system in the United States and Nippon will later import it to Japan. It is expected to cost NTT about \$47.4 million. The cost of Cray's XMP

Supercomputer is estimated at \$17.3 million.

Nippon has been criticized in the United States for not living up to a promise it made to open contract bidding for telecommunications purchases to foreign companies

#### Philips Studies New Video Recorder EINDHOVEN, The Netherlands (Renters) — Philips said Wednesday that it is studying the idea of making its own video recorders for markets

The giant Dutch electrical products group currently sells Japanese-made VHS recorders in the United States, Australia and New Zealand under its subsidiaries' names. In Europe, Philips markets its own V-2000

Philips said the number of VHS recorders it sells outside Europe has increased, leading the company to consider making its own recorders for export outside Europe. Philips also announced that it will produce a V-2000 recorder capable of recording for 16 hours on one cassette in early 1984 and in the second half of 1984 will introduce an 8mm video camera-

#### Wang Introduces Image Computer

WASHINGTON (Combined Dispatches) —A computer that can read and store pictures and documents as easily as it can manipulate numbers and words has been unveiled by Wang Laboratories Inc., which said the new system would reduce the burden of record-keeping for the insurance and banking industries and governmental offices.

Wang's "Professional Image Computer," introduced Tuesday at a news conference, will sell for \$12,000 to \$15,000. Industry sources predicted that within a couple of years prices would drop low enough to be available for home computers.

The heart of the system is an image scanner that can record documents 11 by 14 inches (28 by 35.5 millimeters) or smaller. The system includes a high-resolution monitor and a thermal printer that can reproduce documents, engineering sketches and even signatures. The computer can also be used to alter the image before it is printed.

#### **BP** to Construct Polyethylene Plant

LONDON (Reuters) - British Petroleum Co. said it plans to build a polyethylene plant capable of producing 100,000 metric tons (111,000 short tons) per year at its Lavera site in southern France for 370 million

The new plant is due to begin operations in 1985 and will replace uneconomical units producing 72,000 tous annually of high-density polyethylene, British Petroleum said.

#### **26 Arrested in Korean Loan Scandal**

SEOUL (UPI) - Twenty-six people, including two owners of mediumsize companies and three bank managers, have been arrested for involvement in a \$208-million loan scandal, prosecutors said Wednesday.

Those arrested included the heads of Youngdong Development Co. and Shinhan Pipe Co. and the managers of the Choheung Bank, one of the largest commercial banks in Korea, officials said.

Service of the servic The others under arrest are low-level officials at the two companies and the bank, the officials said. Twelve people were arrested when the scandal was uncovered last week. A full government announcement on the case is expected next week.

Rate Notes

## Coleco Suit Alleges Firm Hid Problems

Compiled by Our Staff From Dispatches NEW YORK - A stockholder of Coleco Industries Inc. has filed a class-action suit charging that the company artificially inflated the

its Adam home computer. The action, which seeks unspecified damages, was filed Tuesday in Federal District Court in Hartford, Connecticut, where Coleco is

ion, Pennsylvania.

It also charged that several Coleco officers, including Arnold C.

Greenberg, the company's president and chief executive officer, had sold \$8 million in Coleco stock in June on the basis of insider in-

Mr. Greenberg denied that he and other company officials had sold large numbers of shares while

stock prices were high. Other Coleco officials labeled as nonsense" the allegations, Reports filed with the Securities and Exchange Commission indi-

cate that Mr. Greenberg sold 125,000 shares at \$55.11 and 25,000 shares at \$57,03 in June. Coleco's Adam computer was originally scheduled for release in

late Angust. The machine, however, has been delayed by design problems with its unusual highspeed tape memory system and with its word processing program.

The lawsuit alleges that people

who bought Coleco stock from May 27 to Sept. 29 paid "artificialinflated prices because Coleco and certain officers concealed serious technical and production problems of its long-awaited Adam computer," according to a news release issued by Berger & Monta-gue, the Philadelphia law firm representing Mrs. Rudofker.

of the federal Securities Exchange Act resulted from concealment of "serious technical and production to David Berger, one of the lawyers representing the plaintiff.

Mr. Greenberg, in denying the allegations, said company officials had been buying, not selling, their

Other top officials named in the lawsnit are Mr. Greenberg's brother and company chairman, Leonard E. Greenberg; J. Brian Clarke, an executive vice president; and other states for such construction Morton E. Handel, executive vice and funds from a new gasoline tax. president of investor relations.

## U.S. Commerce Dept. Opens Probe Of Alleged Chinese Textile Subsidies

By Stuart Auerbach Washington Post Service

WASHINGTON - The Commerce Department has opened an investigation into charges that China illegally subsidizes its textile and clothing exports through the use of price of its stock by concealing the production and design problems that have delayed introduction of dual exchange rates. The decision to conduct the probe, announced Tuesday, has

widespread foreign policy and trade law implications. This is the first time the U.S. government has tackled the knotty question of whether illegal subsibased, by Deane Rudofker of Merdies exist in a nonmarket economy such as China's in which the state

plays such a major role that prices bear no relation to production The investigation comes at a time when the Reagan administration is trying to mend its tattered economic relations with China. Defense Secretary Caspar W.

Weinberger promised the transfer of low-level military technology

Malcolm Baldrige announced regulations designed to make it easier for China to buy the less-strategic high technology it needs for mod-cruizing its industries.

The United States, moreover, settled a year-long major trade rift with China in August when it signed an agreement — over the objections of the American textile industry — to allow Beijing a 3.5 percent yearly increase in its cloth and apparel exports to the United

The dispute sparked a Chinese boycott of U.S agriculture products that reportedly cost American farmers \$600 million in lost sales.

China shipped 670.6 million square yards (536.5 million square meters) of textile products to the United States last year, becoming the nation's fourth-largest supplier.

The complaint was brought on Sept. 12 by an industry-labor coali-

during a just-completed visit to tween an exchange rate of 2.8 yuan Beijing, and Commerce Secretary to the dollar for companies engaged in foreign trade and an offi-cial rate of 1.9939 yuan to the dollar give China's textile exports a 40.4 percent subsidy.

> The Commerce Department will hold an unusual special hearing on Nov. 3 to consider whether the law setting countervailing duties to make up for subsidies can be applied to nonmarket economies and whether dual exchange rates con-stitute a subsidy where the same rate applies to all imported and exported products and the currency is not freely convertible.

The department will issue a preliminary ruling on Dec. 6.

The American Textile Manufactuers Association applauded the Commerce investigation into subsidies caused by exchange rates but said the probe should have been extended into preferential treatment for capital given China's textion. It charged that differences be-tile industry.

### U.S. Steel Industry's Outlook Improves

tons next year. The industry's two slumbering giants - U.S. Steel and Bethlehem, each of which lost more than \$200 million in the first half - should benefit disproportionately from tor because their production is geared more toward structural

steel, plate and bar. "When the capital goods sector recovers, Bethlehem should get the greatest benefit; it has modernized a great deal and has lower costs per ton than U.S. Steel," said Peter L. Anker, senior metals analyst at First Boston Corp.

Bethlehem's mills in Sparrows The suit charges that violations Point, Maryland, and Burns Harbor, Indiana, are often praised for having the most advanced equipment. In addition, Bethlehem cut problems" with Adam, according its costs by an estimated \$25 a ton when it laid off more than 7,000 employees at its mill in Lackawanna. New York

> Analysts said several factors should bring about an increase in orders for heavy steel. Among them they listed Congress's newly professed interest in rebuilding the United States' bridges and high-ways, bond votes in New York and

(Continued from Page 11) gest producer of reinforced bar and the only major steelmaker to report shipments to total about 78 million should do well if there's a lot of a profit in the second quarter of road construction," said the Rev. William T. Hogan, a professor of industrial economics at Fordham University.

Mr. Anker and Mr. Hogan agreed that small mill corporations any upsurge in the heavy steel sec- such as Florida Steel and Nucor should also gain from such construction programs because reinforced bar is an important product

Higher prices also are being predicted. "I expect a noticeable narrowing of discounts because of the increased demand," said Robert A. Hageman, a metals analyst with Kidder, Peabody & Co. "Discounts now range from 5 to 30 percent. I'm assuming that they should narrow on the average of 9 percent and that they should translate into list price

Mr. Hageman predicted that by 1985, prices realized in the marketplace would rise "by 20 percent or more." Thomas C. Graham, head of steel operations at U.S. Steel, forecast, however, that steel prices would increase by just 3 percent

Analysts say these price rises, along with increased demand. push most of the steel companies into the black by the end of 1984. National Steel, now known "Bethlehem is probably the big- as National Intergroup Inc., was

The area that will remain weakest, analysts predict, is pipe pro-duction. Because of a slowdown in oil and gas exploration, oil companies have accumulated an inventory of about 4 million tons of pipe. Shipments used in oil exploration plummeted to 1.8 million tons in 1982 from 4.2 million tons in 1981. And for the first half of this year, they fell to just 247,000 tons.

"We would have to go through another energy crisis before pipe numbers move up to where they used to be," Mr. Hageman said.

Analysts said that because so many companies produce pipe the continuing slump in that sector would not hurt any one company appreciably more than others They said, however, that the slack demand may create problems for the pipemaking facilities that U.S. Steel is expected to open in Fairfield, Alabama, in the next few

About 4.3 million tons of tim plate, used in cans, were produced domestically in 1982, down about 25 percent from 1980.

> Investment Bankers 1500 South Tower Pennzori Place

Selim K. Zilkha

Ronald I. Simon

of common at \$6,50 per share of

The undersigned initiated this transaction, assisted in the negotiations and acted as financial advisor to Setim K. Zilkha and Ronald I Simon

for \$25,000,000 have acquired 1,000,000 shares of voting convertible preferred stock (convertible into 5,000,000 shares of common stock), 300,000 shares of common stock and five-year warrants to purchase 3,600,000 shares

**Towner Petroleum Company** 

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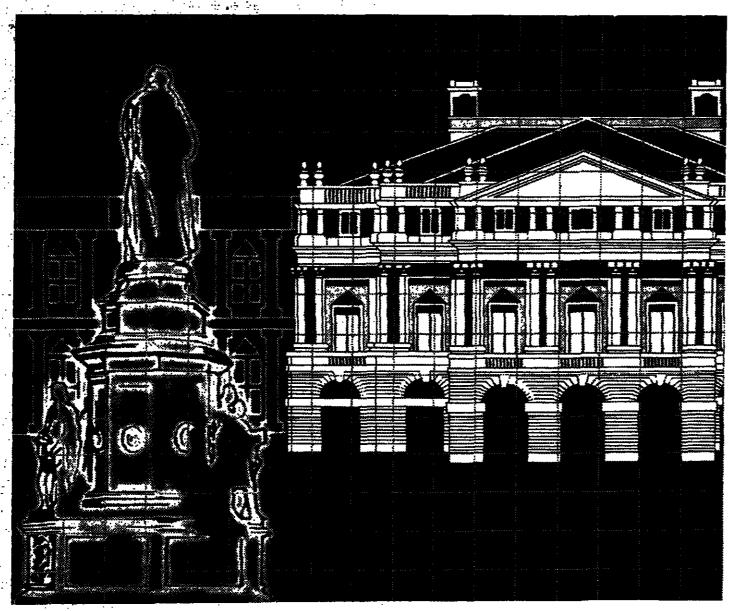
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BAHRAIN	23.42.41	HELSINKI	64.02.50	NEW YORK	286 09 44
BARCELONA	307.22.82	HONG KONG	28 38 76	OSLO	41 61 15
BERLIN (WEST	<u> 261.80.13</u>	LISBON	88 30 SS	PARIS	(6)079 0B00
<u>B</u> russels	218 28 68	LONDON	628 37 51	SINGAPORE	338 0800
COPENHAGEN	0430 00 08	LUGANO	56.06.29	STOCKHOLM	21 77 27
DUBLIN	72 61 75	LUXEMBOURG	48 45 58	STUTTGART	22.03 13
FRANKFURT	29.28 00	MADRID	402 61 31	VIENNA	541186
GENEVA	28 17 77	MILAN	345,23 69	ZURICH	302 08 12
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with international as well as Middle Eastern expertise, ABC is well placed to provide assistance to Italian companies and to businessmen with interests in Italy by developing business opportunities and by providing financial packages designed to meet specific customer requirements.

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#### **Towner Petroleum Company**

has sold (for \$25,000,000) 1,000,000 shares of voting convertible preferred stock (convertible into 5,000,000 shares of common stock), 300,000 shares of common stock and five-year warrants to purchase 3.600,000 shares of common at \$6.50 per share to

Selim K. Zilkha

and

Ronald I. Simon

The undersigned acted as financial advisor to Towner Petroleum Company.

Ladenburg, Thalmann & Co. Inc. 540 Madison Avenue, New York, N.Y.

September 28, 1983

12 Month | 1981 | Low | Stock | 10% | 67% | Trico | 19% | 10% | Trichty | 15% | 77% | Trillent | 15% | 77% | 77% | 15% | 77% | 15% | 77% | 15% | 77% | 15% | 77% | 16% | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 16 | 77% | 1

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Switzerland's Real GDP Declined in 2d Quarter

uct fell 0.7 percent in the second quarter compared with declines of 1.4 percent in the first quarter and 1.2 percent in all of 1982, the government reported Wednesday.

It said there had been declines in construction spending and export levels and that growth in protein consumption slowed to 0.1 percent from 1.3 percent in the first quarter.

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#### WORLD STOCK MARKETS

## **Union Stock Funds** Likely to Broaden Stockholm's Boom

By Axel Krause

STOCKHOLM — Operating from cramped quarters on the ground floor of an 18th-century building overlooking this city, the Stockholm Stock Exchange is in its third year of booming volume and prices. And now a controversial government plan to establish union-controlled investment funds is expected to provide additional impetus for growth.
Some big headaches also are

The major problem facing the Fondbors is simply coping with the expansion. Representatives of the 20 member firms work in small, crowded booths and only two slots remain available. The exchange still operates with a staff of 22, including the president, who only last week hired a fulltime secretary. Rules on trading and reporting requirements are still very loose and creatly there are no funds or sites

We estimate the funds will account for roughly 40 percent of the new, net flow of money into the stock exchange.'

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The Control of Control of State (State ) available for substantial expansion. a 16 percent devaluation an-The Amsterdam Stock Exchange, handling about the same volume, operates with a staff of 175 persons and draws on the services of an affiliated company employ-ing 700 persons, its officials said. "There still is something of a

club atmosphere here, but everyone likes the premises and we will ex- ness favors: freezing, or cutting pand here little by little," said

Bengt Grönquist, president. Gesturing to a bank of computer terminals recording transactions, he said: "Of course, we have plenty of electronics here, but we do need drafting new regulations, parallel-ing those in the European Common exception of these very objectionlooking for someone to handle press relations, he said.

"Several years ago you probably would not have been interested in us," Mr. Grönquist told a reporter kronor in 1982, and at the present last week. But he readily conceded pace, it may reach about 100 mil-that the role of the exchange will lion kronor in 1984, Mr. Grönquist expand substantially because of the said. Share values in 1983's first investments planned by the union nine months were running 64 perfunds, a controversial issue that has cent ahead of the like period in

drawn wide attention. had worked for Skandinaviska Enskilda Banken and Exxon, op-poses the plan on principle, and sud other institutional funds in the Tuesday afternoon joined 75,000 United States and Scotland. people in a protest march on parlia-

Under the plan, the union-controlled funds would buy substantial interests in leading Swedish industrial and financial companies. Parliament is expected to approve the

political statements," he said, add- trading and reporting requireing that the funds will represent a ments. This legislation could be new force on the market, with what completed within the next few he termed "a beneficial" effect on Indeed, the buying surge is ex-regulation for the exchange, but on

legislation next month.

pected to play a key role in pushing Stockholm's ranking among the world's 16 leading stock exchange's from 10th to eighth place next year, possibly putting it ahead of Amsterdam and Hong Kong, exchange officials said. Perhaps as a sign of the Stockholm Exchange's new that the Bank Insper clout, the exchange will sponsor the which supervises the over-theannual meeting of the Internation-

"A lot of people here are protest-mg the funds, but once functioning, we estimate that they will account for roughly 40 percent of the new, net flow of money into the stock exchange," said Per-Olof Edin, an adviser to the Social Democratic Party in the Finance Ministry and

The plan would be financed by a new tax on corporate profits. That would provide the funds with a total of about 2 billion kronor (about \$255.6 million at current exchange rates) annually with which to buy shares, starting next year and running through 1990.

the plan's main architect.

Anticipating the plan's implementation, some large industrial companies and banks, including multinationals, have already started buying heavily to consolidate their control over the shares of the about 160 companies listed on the exchange. But until now such buying has been only a relatively minor which began in 1980, when the government raised an income-tax rebate on investors' purchases in mutual funds to 30 percent from 20

Many Swedish and foreign in vestors also have been attracted by the fact that sales and profits of leading industrial companies and banks are setting records this year amid rapidly expanding exports, which were helped considerably by

nounced by Prime Minister Olof Palme shortly after his victory in parliamentary elections in September 1982. As part of the austerity package

that he presented to parliament Tuesday, Mr. Palme also is pressing for other measures that busicorporate taxes next year, restricting wage increases and cutting gov-

ernment spending.
"The stock market here was asleep throughout the 1970s and we're catching up a lot," said the more staffing and space, and we are chairman of a leading Swedish Market," on trading ethics. The ex- able union funds, there is a lot in change also plans to hire a fulltime Palme's program attractive to busiaccountant later this year and is ness - and it is reflected on the

This year's volume on the Fondbors is expected to reach about 80 billion kronor, up from 29 billion 1982 and probably will continue

noted that some of the foreign buy-

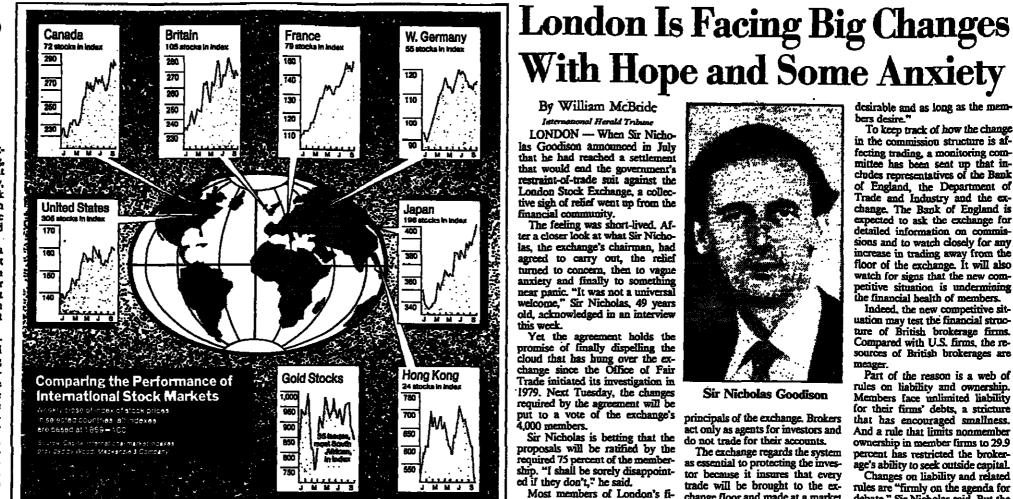
"We are not sure where all the foreign buying is coming from, but it is a real, contributing factor, and helps explain why we are trying to improve and modernize our operations," Mr. Grönquist said. Meantime, the government and

paliamentary committees are work-"I am a conservative, in favor of ing on plans for new legislation free enterprise, but I also avoid that would tighten rules on insider weeks. Finance Minister Kjell-Olof Feldt is known to favor more selfthe condition that it be effective, particularly as it relates to the trading of stock in small and mediumsized companies listed on the overthe-counter market, which was

Some government sources said that the Bank Inspection Board, counter market, may be given a greater role in regulating the ex-



The Stockholm Stock Exchange building.



## Dollar's Strength, Economic Doubts Are Blamed for 3d Period Slowdown

potential," said John Eidt, equity strategist with Merrill Lynch Royal

Securities. "The market has been

New issues have also been attrac-

Subodh Kumar, market strate-

lion Canadian dollars (about \$1.46

billion) of new equity were raised in

the third quarter, bringing the total

for the year so far to 5.3 billion

dollars, well above the 3.1 billion

dollars raised in all of 1981, the

furt Stock Exchange have stabi-

lized, following a rise in the 100-

Analysts said the slowdown was

reinforced by the dollar's strength

against the Deutsche mark, which

nominated securities, and by a

Bundeshank decision last mouth to allow commercial bank refinancing

rates to follow U.S. interest rates

upward, drawing investors from

In the overall market, stocks that

stocks into fixed-rate securities.

but blue-chip automobile and

chemical issues, such as Daimler-

Benz and Bayerische Motoren-

werke and Hoechst, Bayer and BASF, remained strong.

Bank stocks, including Dresdner

Bank and Commerzbank, declined,

as did machine and plant-building

issues, such as Gutehoffnung-

shutte, which continue to suffer

from West Germany's export

Prices on the Paris Bourse con-

tinue to rise in spite of increasingly somber predictions about the fu-

ture course of the French economy.

From a low of 96.1 reached Jan.

, the market as measured by the

French Stockbrokers Association

Index has climbed steadily, reach-

ing 138 at the close of trading on

Sept. 27. The advance in French share

prices has been influenced by the

general rise in equities all over the

world, but brokers attribute much

of the increase to a number of dif-

ferent actions by France's Socialist

government that seem to have pro-

vided investors with compelling

The market advance continues to

be led by a comparatively small

group of well-run, export-oriented

French companies that have profit-

ed from the weak franc and are

relatively insulated from the do-

mestic economy's flat perfor-

A strong performer in the indus-

trial sector has been Compagnio

Générale des Eaux, France's lead-

Because of political uncertainty,

ket has suffered as the expiration

date pulled within 15 years in 1982,

reasons to invest in counties.

level since World War II. The index gold's price began sliding.

previous record.

Frankfurt

going back to fundamentals."

By Kenneth N. Gilpin

New York Times Service NEW YORK - After six months of rapid advances, the rate of increase in equity prices on major stock exchanges around the world slowed in the third quarter. For the week ended Sept. 29, the

Capital International World Index. which tracks price movements on 19 exchanges around the globe, including the United States, stood at 181.5, up just 0.5 percent from its end-of-June level. Since the beginning of the year, the world index has risen more than 18 percent.

"Continued strength in the dollar and a lack of conviction on the part of investors that recovery is spreading to major economies are the major reasons behind the slowdown," said André Sharon, direc-tor of international research at Drexel Burnham Lambert Inc., the

New York-based brokerage house. Here is a roundup of the quarter's activity on some of the world's closed at 316.21 last Friday.

gradually and the outlook for corporate earnings brightening the Tokyo Stock Market's Nikkei Dow-Jones Index advanced nearly 6 percent in the third quarter, closing at 9402.59 last Friday, up from

8871 at the end of June.

In large part, the continued rise fell outnumbered those that rose, has been fueled by optimistic projections on corporate performance.

Analysts now predict that corporate earnings in the six months end-ing next March will be about 50 percent higher than the recently completed third quarter, nearly double what forecasters were expecting only three months ago.

Another positive force on the market has been the yen's recent performance. After falling to 247 yen to the dollar Aug. 12, the Japanese currency's value appreciated by Friday to 236.1 in Tokyo.

Through mid-August, smaller-and medium-sized companies led the advance. For example, the share price of Fujitsu Fanuc, a ro-bot maker, hit 8,000 yen on Aug. 17, more than double the level earlier in the year. In the past few weeks, basic-in-

dustry stocks such as Mitsubishi Heavy Industries and Nippon Steel have performed well.

Prices on the London Stock Exchange have fallen back since the Financial Times All Share Index peaked at 466 Aug. 18. On Sept. 27, the index stood at 451, 3 percent below the peak and 2 percent below the level at the end of June. Experts are expecting a further

I would not be surprised to see a mild shake-out in equities in the next few months," said Kenneth Inglis, head of equity research at Phillips & Drew. "However, given reasonably good dividend prospects and a modest decline in the yield on government securities, ing private water supplier and a fundamental value in the market major maker of water-treatment

remains sound." Figures published by Datastream show that the top performing Hong Kong industrial sectors in the last quarter included share prices of food retail- Hong Kong is going through a difers, up 13 percent; newspaper and ficult period. ing houses, up 9 percent, Britain's lease from China on 90 and shipping and transport share percent of Hong Kong's territory expires in 1997. The property mar-

Toronto The Toronto Stock Market con- since many commercial mortgages

tinued the rise that began 15 run for 15 years. Investment has months ago. At the end of Septem- come to a standstill as companies ber, the exchange's 300 composite and individuals wait until China index closed at 2519.1, up about 6 indicates the type of economic and social system Hong Kong will have quarter.

"The second leg of the bull marNot surprisingly, the recent notes are in the Hang Seng Index

ket began in mid-August," said Pe-movement in the Hang Seng Index ter Williams, technical analyst with reflects the British colony's trou-McLeod Young Weir, Toronto bles.

During the quarter, the best per-formers were in high technology, 20 percent from end-of-June levels, metals and mining, oil and gas and and ended the period at just under

760, down from 964 at the end of There is a desire for earnings the second quarter.

At the end of the third quarter,

have slowed and price changes

gist at Wood Gundy, Toronto stockbrokers, estimates that 1.8 bil-Losers in the quarter were forest products, gold shares and real es-

stocks in recent months. Since July, prices on the Frank- momentum, but a tinge of nervous-

their portfolios of gold-mining

ness has crept into the forecasts.

Zeitung index to 331, its highest cent since mid-September, when

Johanneaburg

share Frankfurter Allgemeine has dipped by more than 10 per-

The value of gold-mining stocks

have been unusually small. Tight foreign-currency controls continue to keep the cash of highly liquid companies in the country. Those big cash positions continue to hold up share prices. Insurance companies, pension and mutual funds have continued to expand

South Africans are optimistic that the bullion market will soon strengthen as the economic recovery in the United States gathers

Uncertainty has settled over the Johannesburg Stock Market as investors wait for a clear lead from the gold price. Trading volumes

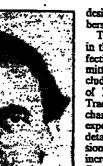
caused the most hand-wringing among exchange members. They look back in horror at the brutal shakeout among Wall Street firms after the United States abandoned fixed commissions in 1975.

Sir Nicholas is less alarmed, "I don't foresee the kind of slaughter that took place in the United States," he said. "People exaggerate the similarities between Wall

who has been close to the talks.

By William McBude

Street and London." Neither does he share the view that negotiated commissions will lead inevitably to a breakdown in the exchange's split-trading system, called "single-capacity." Under called "single-capacity." this 75-year-old system, only "jobbers" are allowed to buy and sell



Sir Nicholas Goodison principals of the exchange. Brokers act only as agents for investors and

do not trade for their accounts. The exchange regards the system as essential to protecting the investor because it insures that every trade will be brought to the exchange floor and made at a market nancial community are betting with Sir Nicholas. They are also price. The exchange also argues that, because the brokerage is not betting on his ability to guide the trading for its own account, it canexchange and its diverse interests not be accused of fobbing off unthrough a period that is likely to see wanted inventories of securities to substantial changes in the structure of the exchange. "If anybody can its clients. Critics call it a form of

protectionism that leads to ineffido it, he can. We've been lucky to ciencies and higher costs to inveshave him there," said an official The government has agreed to The agreement between Sir leave the single-capacity system in-Nicholas and the Department of tact and has even hinted that it Trade and Industry committed the would cloak it with legislative apexchange to ending minimum comproval. But many wonder whether missions and opening the govern-ing council to nonexchange memthe system can survive in the competitive atmosphere of negotiated bership. The first commitment has commissions. Under a competitive squeeze, jobbers may be tempted to deal directly with investors. Similarly, brokers might wish to deal directly with one another to pick up

> the profits that jobbers would make on the difference between the buying and selling price.

Sir Nicholas acknowledges that among exchange members, there is a "strong belief" that single-capacity depends on having fixed com-

both their own commissions and

missions. In his own view, there is not an indissoluble link, but an intimate relationship." In describing how the brokerjobber system might evolve, he choses his words carefully: "The exchange will maintain the separa-

To keep track of how the change in the commission structure is af fecting trading, a monitoring comcludes representatives of the Bank of England, the Department of Trade and Industry and the ex-change. The Bank of England is expected to ask the exchange for detailed information on co sions and to watch closely for any increase in trading away from the floor of the exchange. It will also watch for signs that the new com-

petitive situation is undermining the financial health of members. Indeed, the new competitive situation may test the financial structure of British brokerage firms. Compared with U.S. firms, the re-

sources of British brokerages are Part of the reason is a web of rules on liability and ownership. Members face unlimited liability for their firms' debts, a stricture that has encouraged smallness.

And a rule that limits nonmember ownership in member firms to 29.9 percent has restricted the brokerage's ability to seek outside capital. Changes on liability and related rules are "firmly on the agenda for debate," Sir Nicholas said. But the

exchange has no plans to alter the 29.9-percent rule, a change that might encourage banks and insurance companies to get into the bro-Sir Nicholas said the government has applied no pressure for the exchange to loosen its ownership con-

straints. But the Bank of England is thought to take a less firm position on the issue, leaving open the possibility that in the future it may

support changes allowing British financial concerns to broaden their activities. For Sir Nicholas, "the most important question" that the government must ask itself now is, "To what extent do they want the traditional lines of demarcation to be maintained?" He notes that in such countries as West Germany, banks have come to dominate the stock

market to the point that the capital

markets have remained compara-

tively small in relation to the econ-

Unlike many in London's closeknit financial community, Sir Nicholas does not see the proposals being put before the membership next week as a prelude to revolutionary change. Over the long-term, he sees "evolutionary change." In the short term, he sees "concern, worry, debate and quite shares for their own accounts as tion as long as it is commercially a lot of maneuvering."

#### **An International Herald Tribune Conference on:**

# How to **Manage Foreign Exchange Risks**

**London, November 14-15** Christopher W. McMahon, Deputy Governor of the Bank of

Murray L. Weidenbaum, former Chairman of the Council of Economic Advisors in the Reagan administration, will open the ninth annual International Herald Tribune conference on "The Management of Foreign Exchange Risks," to be held in London, November 14-15, 1983.

Other key speakers will include: Walter O. Habermeier, Counsellor and Treasurer of the International Monetary Fund,

**NOVEMBER 14** 

Reaganomics: Success or failure? Murray L. Weidenbaum, former Chairman of the Council of

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How to measure the success of exposure management. Claudio Mercalli, Group Treasurer, Pirelli. Computer technology and foreign exchange dealing.

Hamish Donadson, Director and Head of Banking Services, Hill Samuel Co. Ltd. Money market investment opportunities.

Steven S. Licht, Deputy Chairman, Crédit Suisse First Boston. Luncheon address: LDC debt financing. Walter O. Habermeier, Counsellor and Treasurer, International

Monetary Fund. The use of currency baskets in managing exposure. Kalervo Salmi, Treasurer, Finnboard.

International liquidity management in the oil industry. Alan Kershaw, Manager of Treasury, Kuwait Petroleum Int'l. Trading currency options.

Arnold Staloff, President, F.A.C., Philadelphia Stock Exchange.

REGISTRATION INFORMATION

Please return conference registration form to: The International Herald Tribune, Conference Office, 181 avenue Charles-de-Gaulle, 92521 Neuilly Cedex, France. Or telephone (33-1) 747,12.65 - Telex: 612832.

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**NOVEMBER 15** 

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Robert Triffin, Professor of Economics, University of Louvain. The use of currency forecasts in measuring transaction

Martin Braisford, Group Treasurer, Rank Organization Plc. What corporate treasurers should expect from their Daniel H. Hodson, Finance Director, Unigate Plc.

The use of ECUs for invoicing intracompany accounts. Cino Ricai, International Treasurer, Compagnie de Saint-Gobain. Luncheon address: The effect of monetary policy on ex-

Christopher W. McMahon, Deputy Governor, Bank of England. After ten years of floating exchange rates, does price parity theory have any relevance? William Robinson, Senior Research Fellow, London Business

The exchange rate outlook for the major currencies. Henry E. Hubbe, Senior Vice President, European American

Lawrence Cavanagh, Manager of Foreign Exchange Forecasting and Research, European American Banking Corp.

The participation fee is £395 or the equivalent in an alternative currency for each participant. Fees are payable in advance, and will be returned in full for any concellation that is postmarked on or before October 28, 1983.

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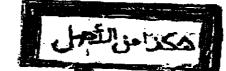
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## Lloyd's Sets New Disclosure Rules For Underwriters Following Scandal

By Barnaby J. Feder

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New York Times Service LONDON - Continuing its effort to shake off the impact of last veer's scandals, Lloyd's of London has announced new financial disclosure rules for underwriters working at the insurance exchange. It also said that it will acquire Toplis & Harding Inc., a Chicagobased claims adjuster.

Toplis, which has been doing business with Lloyd's members for nearly all of its 60-year history, will be purchased for \$10 million from Employers Reinsurance Corp., a subsidiary of Getty Oil Co., the announcement Tuesday said.

The acquisition of Toplis is Lloyd's first direct investment in the United States and is intended to end years of complaints about delays in handling claims in North America, according to Ian Davi-son, Lloyd's chief executive. About 40 percent of the premi-

um income earned at Lloyd's, about \$2 billion last year, comes from the United States and another 10 percent from Canada. The new disclosure rules ap-proved Tuesday by the governing

council went further than recommended by a study committee set up in the wake of the scandals, which involved a variety of practices that appeared to benefit underwriters at the expense of the had outside interests be disclosed. syndicates of individual investors The ruling council decided, howev-

"names," pledge their wealth to disclosed.

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cepted on their behalf in the giant said Mr. Davison, the former ac-Lloyd's trading room by the underwriters, some of whom were said to have directed incrative policies to syndicates in which they had special interests or to offshore reinsurance companies in which they were

investors or officers. The new disclosure rules will give both the names and the public an unprecedented amount of informa-tion about the inner workings of the insurance market and the outside business interests of the underwriters, their relatives and their business associates

For instance, in the past an underwriter might resell a large pro-portion of the insurance he had accepted to an offshore insurance company in the Bahamas, the Cayman Islands or some similar tax baven, in which the underwriter or other members of his firm had an

Before promulgation of the new rules, investors would not have known of the interest in the offshore companies. The new rule is intended to make sure that any such investments can be defended as sound reinsurance practices by making it clear where the underwritiers' outside interests might also be

The study committee had recommended that only the names of the companies in which underwriters The ruling council decided, howevcr. that the exact financial stake The investors, known as involved in those interests also be

U.S. Future Prices

#### Brazil Seeks Extension on Debt Payment

counting executive brought in last

winter to run Lloyd's as part of the

reform. "Two years ago, it would have been unthinkable."

changes involved Ian Posgate,

Lloyd's most successful underwrit-

million to Howden's reserves.

Similar problems with other syn-

dicates soon arose, leading to a wave of administrative and regula-

tory reforms, all self-imposed in

order to discourage the government

from moving to end three centuries of self-regulation.

Daiwa and Tubel Set Up

Joint Firm in Belgium

TOKYO - Daiwa Steel Tube

Industries Co. announced Wednes-

day that it and Tubel, a Belgian

steel tube maker, have set up a joint

venture company in Mons. Bel-

gium, to produce oxygen lance

pipes to be used for steel-making

Capitalized at 50 million Belgian

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francs (\$917,000), the joint company, called Daitube, is 51 percent owned by Daiwa, 46 percent by Tubel and 3 percent by Societé Ré-

The incident that led to the

The Associated Press BRASILIA - The government has asked foreign banks to extend deadlines for repayment of \$12 billion in loans, the Central Bank said Wednesday.

er, and fellow executives in the Al-Central Bank President Afexander Howden Group. When fonso Pastore was to meet with Howden was taken over last year bankers Thursday in Washingby Alexander & Alexander, the ton to discuss the proposal, bank spokesman Reinaldo Fer-American company discovered questionable deals and accounting practices that forced it to add \$50

Brazil wants to renegotiate \$5.5 billion in debt principal due next year and extend the period for repayment of \$6.5 billion in new bank loans announced at a meeting last month of the International Monetary Fund in Washington, Mr. Ferreira said.

Brazil is struggling to pay a \$90 billion foreign debt. It is nearly \$3 billion behind on pay-ments this year. Major newspa-pers said Mr. Pastore would ask for nine years to repay the debts and five years' grace period, during which Brazil would pay only interest. The Central Bank would not confirm the reports.

Gazeta Mercantil, the nation's most respected financial daily, reported that the loan extension talks were "well advanced" and said an announcement would be made at the end of Thursday's meeting at IMF headquarters.

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## World Bank Initiates Study of Needs Argentina Orders In Advance of Bid to Build Its Capital

By Clyde H. Farnsworth New York Times Service

WASHINGTON - The World Bank, the biggest single source of money for debt-plagued countries of the Third World, has begun a broad country-by-country analysis of their needs that would serve as a guide to increasing the bank's capi-

The study, which is to be completed next spring, was endorsed last week by the bank's board of governors at its joint annual meetng with the international Monetary Fund, its sister lending institution of the 1944 Bretton Woods Conference.

It is part of the planning by the World Bank for longer-range solu-tions to the problems of indebted-ness worldwide: More than \$700 billion is owed by developing and East European countries to foreign creditors.

To one of the governors, R.D. Muldoon, prime minister and minister of finance of New Zealand, such an approach is necessary to bring an institution "of the 1940s into the 1980s and the 21st century."

"If we fail in this, we run a high that would govern lending in the risk of the recovery being aborted or, in any case, of it not being youd. shared by those who need it most

desperately," Mr. Muldoon said. The bank tended to be overshadowed last week by the IMF, which is the pivotal institution in provid-ing short-term financial assistance to countries in need of each to offset balance of payments deficits.

The World Bank assists projects

such as irrigation, agricultural sta-tions, harbors, roads and schools that strengthen an economy over the longer term and give it the earn-ing capacity to pay for necessary imports and the servicing of its

The finance ministers and central bank governors from the 146 member countries focused much of their attention on the immediate financial needs of the IMF, which is itself short of cash, not only because of the heavy demands placed on it recently but because of a delay al funds for the fund.

The governors also endorsed ef- from all members on a special capiforts by bank's president, A.W. tal increase of between \$3 billion Clausen, to start the long process of and \$8 billion over the next five negotiations for a capital increase years.

Last year, the bank committed loans totaling \$15.3 billion, including \$3.3 billion made by its affiliate, the International Development Association, which makes interestfree loans to 50 of the poorest countries, and \$845 million by the International Finance Corp., which supports private enterprise in 80

Mr. Clausen and his associates plan to increase loans by about 5 percent a year, but at that rate lending will near the bank's ceiling by 1986.

The bank's rules prevent it from lending more than its capital and reserves. By 1986, paid-in and pledged capital by the members will total \$80 billion, barring capital from other sources.

But while the debate on a general capital increase gets under way, the bank has already won endorsement

## New Restraints on Foreign Exchange

BUENOS AIRES — Argentina's central bank has ordered commercial banks to stop accepting foreign currency in cash for transfer abroad, banking sources said

Also Wednesday, Julio González del Solar, the country's central bank president, was freed without being charged, following his arrest Monday on orders of a judge investigating alleged irregularities in forcign-debt rescheduling negotiations, finance ministry sources

The bank, under the control of its vice president, Luis Mey, since Monday's arrest of Mr. González del Solar, also prohibited the com-mercial banks from increasing their foreign exchange holdings above

The sources said the measures indicated how low the central bank's dollar reserves had fallen. The bank was expected shortly to limit the withdrawal of the equivalent of \$400 million to \$500 million worth of foreign-currency deposits in the domestic banking system, the

## 3 Eurobonds Totaling \$250 Million Launched

By Carl Gewirtz

International Herald Tribune PARIS — Three dollar Eurobonds worth a total \$250 million and a warrants issue to buy \$100 million worth of bonds were launched Wednesday amid reports that a \$500-million jumbo issue for

Canada was waiting in the wings.
At the same time, West German
bankers announced they would market six issues worth 950 million Deutsche marks in the month to Nov. 8, slightly more than the 780 million DM launched in the month ended Tuesday. The talk of the dollar market was

a \$100-million, 10-year offering from Rio Tinto-Zinc. The issue which was originally intended to be for \$150 million had to be cut due to market resistance to the tight terms - a coupon of 11% percen offered at par.

#### Top Automakers In U.S. Showing **Big Sales Gains**

New York Times Service DETROIT — The Big Three U.S. automakers ended the 1983 model year with a 16.7 percent increase in sales, according to company ligures. It was the first time since 1978 that the companies have been able to report a year-to-year improvement in sales.

The increase in sales of the three companies, General Motors, Ford and Chrysler, has brought a dra-matic turnabout in the financial outlook for the industry, which reported combined losses of more than \$8 billion during 1979, 1980 and 1981. The increased sales, combined with new labor contracts and other cost-cutting measures have led analysts to estimate that the three companies will report com-bined earnings of about \$5 billion for the 1983 calendar year.

"The main element of strength in the model year was the pickup in economic activity," said Harvey with Merrill Lynch, Pierce, Fenner

Auto industry executives say they expect the sales improvement to continue through the 1984 model year, with most forecasting total car sales of between 10 million and 10.5 million. Total sales of domes tic and foreign cars for the 1983 model year were 8,795,708, a substantial increase over the 7,682,209 sold in the 1982 model year.

The Big Three figures released Tuesday reported that in the final 10 days of September, the end of the 1983 model year, total sales of 230,777, an 8.6-percent improvement over 212,584 cars sold in the final 10 days of September 1982.

#### Before the issue was reduced in pon of 114 percent were priced at ze the bonds were indicated at a 99% and were quoted at 98%.

size the bonds were indicated at a steep discount of 31/4 points; after the reduction the bonds were indicated at a discount of 21/2 points. Even at that level, the 11 managers offering the bonds would be losi money as the commissions totaled

Farm Credit Corp. of Canada also offered 10-year bonds, but the issue was smaller — only \$75 million — and priced slightly more generously at a discount of 99½ bearing a coupon of 11% percent. The bonds were quoted at a dis-

Gasunie of the Netherlands tapped the market for \$75 million. Its seven-year notes bearing a con- price and later exercising it would

Caisse Centrale de Cooperation

yield to maturity to 11.22 percent. Economique, guaranteed by France, sold 100,000 warrants each of which can buy a \$1,000 bond at par bearing a coupon of 111/2 per-cent. The bonds will be dated Jan. 2, 1984 and the warrant expires Dec. 15, 1984.

The underlying bond will have a maturity of 15 years, will be callable only after 10 years and then at

a premium of 102½. A sinking fund starting in the ninth years will produce an average life of 12 years. The warrants were bought by a "club" of eight banks and were initially offered at \$20 apiece. Investors buying the warrant at that

carry a coupon of 11 percent. In the DM sector, the calendar

effectively be paying \$1,020 for each \$1,000 bond, reducing the

The expected Canadian issue is

expected to be for five years and

opens next week with a 100 million DM private placement for the European Investment Bank. On Oct. 12, the Asian Development Bank will offer 200 million DM; Oct. 17 Finland will offer 150 million DM; Oct. 20 the Council of Europe will sell 150 million DM.

On Nov. 7, Barclays Bank is to offer 250 million DM and on Nov. 8 the French railway, SNCF, will close the calendar with an offering

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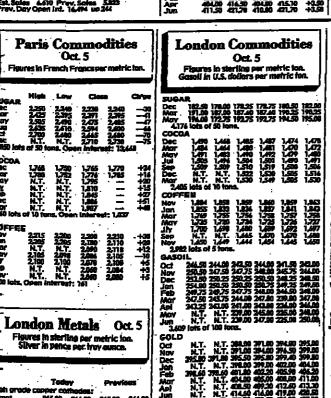
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NYSE Highs-Lows

PARIS - France's gross domestie product increased 0.5 percent in the second quarter, compared with a 0.2-percent decline in the first quarter, the government announced Wednesday. GDP had risen 0.8 percent in the second quarter of last year.

The volume of imports declined by 5.3 percent in the second quarter after rising 2 percent in the first

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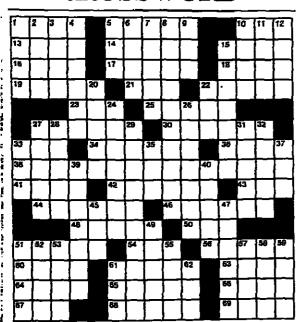
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42 A son of Jacob 43 Peruke 44 Makes points 46 Prehistoric

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20 Lad 22 Speakers' hesitations 24 Fescue and rye, 26 Farm device

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33 Scottish uncle 35 R.A.F. award 39 Blast-furnace devices 40 Chou-45 Readland 47 "... sad Rose of all ——!":

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O New York Times, edited by Eugene Maleska.

"SHOULDN'T YOU BE HEADIN' SOUTH FOR THE WINTER ?"

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JUMBUE THAT SCRAMBLED WORD GAME
by Heard Arrold and Bob Lee

#### PEANUTS

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BUGS ARE HOLDING THEIR WORLD SERIES IN MY SUPPER DISH ?

TUDBURY'S IS HAVING A BIG SALE.

REALLY CHEAP!

BEETLE BAILEY

HELP! SARGE IS

HANGING OFF THE

SIDE OF THE CLIFF!

time for the opening CEREMONIES ...

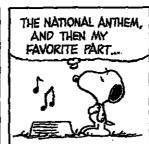
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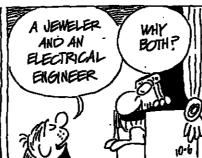






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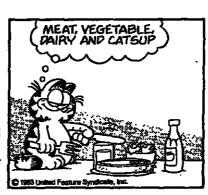




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#### **BOOKS**

OUR ENDANGERED CHILDREN: Growing Up in a Changing World

By Vance Packard. 385 pp. \$18.95. Little, Brown, 34 Beacon St.,

Boston, Mass. 02106. Reviewed by Phyllis Theroux

VANCE PACKARD, the distinguished vertice of American society, has spent a lifetime stalking our enemies. More than any other writer-critic extant, he knows how to stir statistics into his prose and keep it palatable which is not to say that we don't choke upon what he has to say. And in this, his ninth, book, "Our Endangered Children," Packard serves us a quietly terrifying portrait of a nation in which children are sown, like wheat upon rocky terrain, and often perish.

You will not enjoy this book any more than you would enjoy being locked up in a video arcade room for a weekend. But the wonder is that Packard had the strength to complete it without succembing to despair.

Today's "child according to Packard" must cope with stresses that put him or her "at risk" from the beginning: an "inhospitable birthing system," unstable or single-parent homes, defi-cient day care, demoralized schools, and anti-child, crime-ridden neighborhoods. And these are just the broad-brush outlines of the predicament as outlined in an early chapter, "What It

Means To Be Young Today." "The notion still persists that the United States is a uniquely child-centered society," comments Packard. Yet "a deep malaise has rather swiftly come over child raising" in this country. There is no one answer that explains it, of course. But Packard — surrounded by charts, surveys, psychological studies, and consus reports, as well as his friends and common sense - attempts to give a number of answers explaining why we have become a nation that often honors children in the breach.

I doubt that most parents beyond the pram stage of child-rearing will find anything wildly new or out of synch with their own undocumented experiences. In a culture that is highly materialistic, economically unstable, and full of deleterious influences from television to drugs, families find themselves in communities where their root systems are continually befouled or threatened, without having the strength to pull up and out. Like freeway shrubbery, a child must be resistant to polintion to survive from one day to the next.

Packard's strength lies in the voluminous information he has acquired to document our individual case histories. Like a prosecuting attorney with a table full of courtroom exhibits, he relentlessly pursues his case:
"Nearly half the children born in the last few

years will spend a portion of their lives living in a one-parent household . . ."
"Now only a minority of families eat a

supper together around a table." (Half of those sit before a television set in a darkened room.) "Roughly a third of U.S. schools actually inflict psychic harm on pupils."
"Only 5 percent of U.S. children see a grand-

parent regularly." "Nearly a quarter of all preschoolers and nearly 40 percent of all grade school children still are watching TV between nine and ten at

food served in school cafeterias to the impact of custody fights upon children is included and researched. He attempts, with some success, to offer solutions to obvious problems, some-

times with too obvious answers.

In his chapter "Nine Adult Skills That Help Children Thrive," Packard says, without tongue in cheek, that "a skillful child developer does a lot of interacting with the child, especially verbal interacting." But it would be inaccurate to say that Packard simply restates the obvious with a few statistics to support it. times with too obvious answers. The trouble with the book is with the size of the dragon Packard is attempting to define.

On the one hand, Packard concludes that the healthiest child lives in a house with a front porch, in a small community, with two parents, a supportive school system, and only five hours of television on the weekends. On the other hand, he is well aware that only a handful of parents, mostly affluent, can pull this off. And so he proposes alternative solutions, examining day care, joint custody, playground, school and work programs — as they exist in isolated parts of the United States or abroad. But in the main, Packard is an ecologist on a field trip, examining the evidence surrounding normal

children who are not growing well.

I wished, without wishing to depress myself further, that Packard had examined the correlation between families with strong religious affiliations and strong children. There is no particular attention given to the underlying values that the United States subconsciously esponses, at the expense of its children. The ne alters we have traditionally worshiped before — Money, Power and Influence — are still in place, at least in large cities. An interest-ing statistic uncovered by Packard is that children in rural areas are less bored than children in urban areas.

In conclusion, "Our Endangered Children" is a book that can be used by a lot of people --parents, educators, analysts and public policy makers — to good advantage. But I could not read too far without having to check my instinct to go upstairs — to see if my children were all right.

Phyllis Therosoc, the author of "California and Other States of Grace," writes frequently about children. She wrote this review for The Washing-

#### Henry VIII's Flagship Goes on Public Display

United Press Internal PORTSMOUTH, England — The wreck of King Henry VIII's flagship Mary Rose, which sank in 1545 and was raised to the surface last year, has gone on public display for the first

The opening of the public showing here Tuesday marked the end of the first year of restoration of the warship. It was brought up less than a mile off the British coast last Oct. 11

after 437 years on the ocean floor.

The ship was sailing to do battle with a French fleet on July 19, 1545, when it cansized and sank as King Henry VIII himself watched.

All but about 40 of the 700 men on board went night."

Packard's book is not simply a catalog of down with the ship. The wreckage was not found until 1966, when it was found by an disasters, although everything from the junk

#### BRIDGE

By Alan Truscott

On the diagramed deal against five diamonds doubled, West led his singleton club. Ninety-nine players out of 100 would quickly play low from dummy and then be doomed to defeat. But South recognized that the lead was probably a singleton and found a brilliant way to cut the defenders' communications.

He won with the club ace in dummy, carefully dropping the jack from his hand. He then led the spade king and discarded his singleton heart.

a low diamond, aiming to reach dummy with the jack. did, but he chose to take his ace and lead another trump. Now South had the lead in

Now South had the lead in dummy, and could run the club nine, picking up the queen to make his doubled game.

This communication-cutting play of the spade king is sometimes known as the scissors coup. Oddly enough, a similar play was possible for East-West on the same deal.

At one table West played.

dummy, carefully dropping the jack from his hand. He then led the spade king and discarded his singleton heart.

There was now no way for East to gain the lead, although West tried by underleading his heart ace. South ruffed and led

Oct. 5

underlead his club ace, and South was able to defeat the

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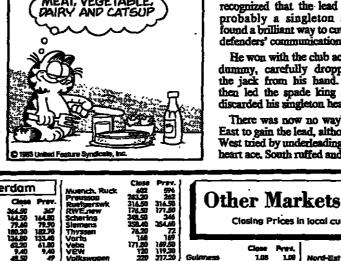
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Oct. 5 Britain's Reserves Decline

The Associated Press

LONDON — Britain's gold and foreign currency reserves fell by \$107 million in September to \$17.902 billion, the Treasury announced Tuesday. It was the first decline since June, it said.

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#### **SPORTS**

## Phils Nip Dodgers on Schmidt's Homer and Shutout Pitching

does a for of interacting with the case of the LOS ANGELES - The old men of the Philadelphia Phillies kept on winning Tuesday night when they took the opening game of the National League playoff by edging the Los Angeles Dodgers, 1-0.

. It was a classic story line with proper heroes for the Phillies, who won 21 of their last 25 games in the

#### BASEBALL PLAYOFFS

regular season. They took the lead off Jerry Reuss in the first inning on a home run by Mike Schmidt Then they protected it through the relentless pitching of Steve Carlton and Al Holland.

of relevision on the vectors of the parts of the United States of about main. Packard is an ecologic state chaldren who are not growing at a wished, without wishing to the further, that Packard had mainly between families with So, having lost 11 of the 12 games they played against the Dodgers this season, the Phillies turned on their tormentors when it counted most: the night the playoff pitchers in history,"

for the pennant began, before 49,963 persons in Dodger Stadium, where they had not won a game all "Who would have thought," he added, lamenting the thought, "be playoffs.

Reuss to his fifth straight defeat in playoffs.

Carlton, who achieved his 300th or wild pitch or a fly or a ground

The Phillies, who lost playoffs to the Dodgers in 1977 and 1978, will try to take a commanding lead Wednesday night John Denny, who led the league with 19 vic-tories, will patch for Philadelphia against Fernando Valenzuela. The first team to win three games wins the permant and enters the World Series next Tuesday against either the Baltimore Orioles or Chicago White Sox of the American League.

"It was a classic," said Tommy Lasorda, manager of the Dodgers.
"Reuss pitched a great game, but
just came up short. We had a couple of chances to score and didn't. Carlton pitched an overpowering game. He was the difference, and he will go down as one of the great

first inning would have been all they needed to win?"

One man who thought so was Paul Owens, the general manager of the Phillies, who dismissed Pat Corrales as manager on July 18 and

then took his place. "I thought the way Carlton and Reuss were pitching, one run might be enough," Owens said. "We even decided before the game to go for one run early. And we got one.

Schmidt, who supplied the run with two down in the top of the first inning, has been picking on Reuss for a long time. He has hit 389 home runs in his I I years in the big leagues, 40 of them this year, and he has hit more off Reuss than off anybody else. Tuesday night's was No.10. It also was his first in five playoffs, and it ironically sent

career victory two weeks ago at the age of 39, guarded his lead like a didn't happen." er. He pitched seven and twothirds innings, allowing seven singles, walking two and striking out six batters. When the Dodgers finally mounted a threat by loading the bases with two down in the eighth, he was rescued by Holland, who saved 25 other games this sea-

"The game," Reuss said, "was won with the one pitch. It was a good pitch, but he's a good hitter. Reuss, who can become a free agent this fall, threw the pitch in the first inning after he had retired two of the oldest leadoff men in the business — Joe Morgan, who is 40, and Pete Rose, who is 42. Then he went to a count of one ball and one strike on Schmidt and delivered a

"Normally, that's a good pitch," Schmidt said later. "But not to me, because I am a notoriously good low-ball hitter."

iow fastball.

He proved it again by driving the ball to straightaway center field; it cleared the fence at the 395-foot mark over a leaping Ken Landreaux. The story line for the rest of the evening was set. Carlton, who has struck out

3,709 batters in his career, more than anybody in history, then played his part nobly.

Steve Sax got three singles off him. His first came leading off the opening inning, but Carlton picked him off first base and went on to retire the next seven batters. Later, he gave up singles in the third and fifth innings to Derrel Thomas, a switch-hitting replacement for Greg Brock, the left-handed rookie. Otherwise, Carlton kept strict or-

The Dodgers finally hatched a threat in the sixth, when Sax led off with a ground single to center. He sell, and when a wild pitch by Carlton caromed off catcher Bo Diaz's shinguard and went to the backstop, Sax took a wide turn around third before going back as Diaz slid across the dirt to corral the ball.

"Yeah, I thought about going

ball to get me in. Unfortunately, it

Dusty Baker popped up in front of the plate, Carlton himself grabbing the ball for the second out. man who had hit .284 with 17 home The threat remained when Pedro runs Guerrero walked on a 3-2 pitch. putting two Dodgers on base for the first time. But Carlton fanned Mike Marshall on three pitches, the last a sinking slider, and the Phillies

stayed one run in front. With one down in the eighth, Sax delivered his third single off Carlton, and the Dodgers had their best chance. Sax, who stole 56 bases this season, drew half a dozen throws from the mound. Then Russell popped up, and there were two down. But Baker glanced a single into short right field, chasing Sax to third, and everything was left to Guerrero, who led the Dodgers in almost every offensive category.

Ken I andreaux at the wall.

did it go, 400 feet? In our ballpark, that's an out." Schmidt's view of things seemed for local consumption in the Phillie

> "Who 'rose to the occasion?" " he said, echoing a question. "The hitters? We got one run. You don't win many games with one run."

He walked on four pitches, load-

ing the bases, and now it was up to

Marshall for the second time in

three innings. But Carlton never

faced him. Into the game came

Holland, the bearded left-handed

relief ace, to face a second-year

It was close, but Holland es-

caped when Marshall hit a line

drive to right field that was caught

on the run by Sixto Lezcano.

Prodding his teammates is nothing new for the league's two-time most-valuable player. It was Schmidt who spoke out in early September, saying that the team had no direction under interim manager Owens. Immediately thereafter, the Phillies found a di rection, onward and upward, winning 21 of their next 25 games.

"It was just a coincidence," said Rose, who looked like he wanted to wink in the afterglow of Game 1. "I didn't even read what he said."

"I wrote it."

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BASEBALL

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ar, to a multilyear contract. UTAH—Cut Rickey Williams and U.S. Reed.

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QUEBEC-AN

## A Foot-Dragging Declaration of 'War on Drugs'

By Ken Denlinger:

Washington Post Service WASHINGTON --- The United ed both as close to inspirational. After decades of shamelessly duck-ing the issue, it has "declared war drugs and cease to use them.

on drugs." In a breathless bulletin from Colorado Springs, the USOC trum-pets that it has "taken the leadership role in this effort following the conclusion of the IX Pan American Games, where 15 athletes from 10 nations, including two U.S.A. athletes, were stripped of their gold use of banned substances."

A noble gesture, this. Or a noble gesture, at least, to the masses of Americans who only seem to care about semiamateur sport from two months before the Olympics until two weeks after the

International insiders are laughing as heartily as they are applanding knowing this to be a bit like the his conviction that some U.S. and timid soul who waits until somebody else has the school bully near-their Pan Am events rather than ly beaten and bravely asks, "Can I face tests for performance-enhancgive vou a hand?

Dwight Schofield, here dumping Rod Schutt in Wednesday's jearly going scored the

early going, scored the game-winner at 8:33 of the third period as St. Louis took its NHL opener against Pittsburgh.

NHL Standings

Quebec 7, N.Y. Islander's 3 (Hut

USOC tell you about it:

Philadelphia's Mike Schmidt, following through on his first-inning homer off Jerry Reuss.

"The drug-testing results in Ca-racas touched off a worldwide reac-States Olympic Committee has tion by amateur sports groups and done something that can be regard- the media, and the USOC was quick to react to the challenge of and as the ultimate in political gall. making sure that American athletes

The USOC has announced the Committee Task Force on Drug Control, made up of prominent sports physicians and medical experts from across the nation....[It] will supervise a wide range of efforts designed not only to educate American athletes on medals after testing positive for the the dangers of drug use, but to ensure that they are not using them

> The release quotes Executive Director F. Don Miller: "This is the first step in our war against the use of drugs by our athletes, but not a war against our tine young men and women.

Many of our fine young men and women certainly were scarred by foreign athletes deliberately threw ing drugs.

I know very well what happened in there are others—the fear of tainting own heart. It's something that ing the Los Angeles Olympics and happens, and you know it happens the fear that those among our fine The chief physician for the U.S.

team, Roy Bergman, called it "like the Black Sox scandal all over

It's deplorable, of course, there being no more serious sin in sport than not trying. The instant incli-nation is to see Miller as one tough and forthright fellow, quick to spot a cancer, expose it and then eliminate it. Skeptics see it as the first time anyone ever slung mud with his face buried in the sand.

You mean that the Pan Am Games was the first time Miller ever raised his drug antennae? The first time he ever wondered if a few of our fine young men and women would resort to the win-at-all-costs methods alleged of the East Germans and Soviets?

Whatever, the USOC has never fought for drug testing. Why?

"Drug testing is a highly complex technical and logistical process when applied to the practices in sports, especially with respect to detection of bormonal drugs," the USOC argues. "These procedures and resources were not available in

They could have been. In July 1980, Dr. Arnold Beckett of the International Olympic Com-mittee's drug commission said,

"Within a year, certainly in two years, we'll have a test for testosterone" -- the male hormone that can be taken to maintain the benefits of

He was exactly right. So ignorance is no excuse for USOC neglect.

Hell, no. The USOC is the greatest athletic fund-raising agency on the face of the free world. Seemingly, every red-white-and-blue company in the country is an official sponsor of the U.S. Olympic team. For a tax writeoff, Until last week, however, the USOC devoted dollars for goodwill and not a cent for

Serious testing would have nipped the drug scandal at home.

#### **Reds Hire Rapp** As Field Manager

CINCINNATI - The Cincin-

A coach for the Montreal Expos for the past five seasons, Rapp signed a two-year contract with the Reds. He managed the St. Louis FIFA, the inter Cardinals in 1977 and part of 1978, body of soccer. taking took over a team that had finished fifth, 18 games under .500 in 1976 and guiding it to a third-place 83-79 mark in 1977.

The Reds finished with a 27-43 record in 1982 under Nixon and were 74-88 this year, last in the was among the Chinese officials on National League West.

"You never can prove anything," Long ago. And since ignorance and he said, "but I saw it happen. I cost have been eliminated as reaknew the caliber of certain athletes. sons for not having tested, perhaps young men and women who cheat would not be eligible for those '84

The general secretary of the Ineration, track and field's governing body, was asked at the world chan pionships in Helsinki about U.S

foot-dragging on the drug issue. Essentially, John Holt said that the IAAF has had testing in 50 track-and-field competitions - in China, Japan, Australia, even in Africa. But not one in the United

speak for themselves.

"Present cost estimates are ap proximately \$250,000 for drug-test ing between October and the Sum mer Olympics," the USOC said However, the protection of our athletes' health requires this invest ment, now that a feasible program is within reach. We will find the herewithal somehow for this ma

Somehow, the going-broke British have been diligent on drug matters for 20 years or so. How they tra to make sure their athletes are clear is by random testing at training sites. Not by announcing specific testing dates, so the clever cheaters can make appropriate corrections, but by suddenly swooping in on the

That seems the best way to do it.

#### China to Host Soccer Event

NEW YORK -- The Peoples Republic of China plans to hold a world soccer tournament in Beijing next June with \$1 million awarded to the champion, a Boston-based consulting and marketing firm announced late Tuesday.

The event is expected to be an annual event, said Marshall Medoff, president of IMICO, whose company is negotiating for international television arrangements via satellite from China and corporate sponsorship of the tournament.

Medoff said eight teams from world powers, including host China, were expected to participate in the inaugural tourney. He said he expected the field to be increased thereafter.

He said organized clubs rather nati Reds on Tuesday hired Vern than all-star teams would be Rapp to replace Russ Nixon as sought, with an international panel manager. Nixon had taken over on deciding the eight teams from an July 21, 1982, succeeding John Mcoriginal list of about 16. Teams Namara. His contract expired after from the Soviet Union, the United States, Europe and South America were expected, he said. He said formal authorization of

the tourney was expected from FIFA, the international governing Tentative dates for the tournam-

nent are June 8-18 at Beijing's 110.000-seat Workers Stadium

Zhen Feng Rong, a vice president of China's athletic federation, hand for the news conference.



except for two rear stabilizing fins, it stands less than five feet high. It is powered by a Rolls-Royce jet engine capable of generating more than 17,000 pounds of thrust. Britain's Donald Campbell was the last non-American to hold the

record when he hit 403.1 mph in his turbine-powered Binebird in 1964. American Craig Breedlove had hit 407 mph the year before, but that was before jet-powered cars like Spirit of America were allowed in international competition. American Stan Barrett has exceeded 700 mph in his rocket-powered

Budweiser car, but was unable to conform to the official rules of the land speed competition and was denied any record.

#### Transition

United States Football League 11GAN—Named Vince H. Lom PHILADELPHIA—Signed Dugne Bell, de PHILADELPHIA—Signed Duone Bell, de-fensive tockle, Bill Hardse, defensive bock, Thomas Askew, Morvin Hinton, Borry Come-ton, Mack Cumminss and Chester Coper, wide receivers, Tony Greshem, Bryon Thom-as and Darren McCelland, running backs, Jeff Klockl, offensive tockle and M&e Lang.

SAN ANTONIO-Signed Victor White, of-

kicker, Greg Janes, Tom Bennett and Andy

Notional Hockey League BUFFALO—Sent Jocques Cloutle tender, Dave Penyues and Mark Ren fensemen, and Steve Patrick and N Lacombe, right wings, to Rochester American Hockey League, HARTFORD—Assigned Paul MacDermik

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#### ART BUCHWALD

## **Keeping Your Innocence**

WASHINGTON — I am con-stantly fascinated when I read on the highway. in the newspapers that the Justice Department or a federal agency has and say their data indicates the just arrived at an agreement with a large company or powerful individ-

ual accused of wrongdoing.
The stones read something like this: "The Double Jeopardy Automobile Company agreed with the Justice Department not to manufacture any

more of their Double Y cars without brake pedals. The pedals. \$50,000 fine, and said it would recall all Double Y cars now on the road that are missing the brake pedal. Buchwald

While paying the fine and making the recall. Double Jeopardy executives denied that there was a problem with the Double Y car, or a reason for the recall. I consulted a lawyer friend to ask

him exactly what it meant when the company was fined, agreed to re-call all its cars, and still was able to maintain its innocence. "They have to do that," he said.

open itself up to a lot of frivolous "I understand that. But why would the government allow them to maintain their innocence when

"Otherwise the company would

Double Jeopardy forgot to put a brake pedal on the car?" "The government is more concerned with getting the cars fixed than punishing the company for incompetence. If they bring Double Jeopardy to trial it's going to take years to resolve the problem,

people could get killed." Suppose the company knowingly was selling cars without brake a serious defect in the Double Y pedals? Isn't that a criminal of-

and in the meantime a lot more

fense?" "Possibly. But let's start at the beginning. Double Jeopardy puts out a Double Y car without brake pedals. The engineering department catches it after the millionth car is on the market. They inform their salespeople, who tell them to shut up. Finally, the government

"They contact Double Jeopardy Double Y car may have a flaw in its braking system. The company responds by saving the safety agency did not test the car under road conditions, and the only time people have accidents in a Double Y car is when they try to stop it.

The safety agency studies the data submitted by Double Jeopardy and concludes the only thing that can stop a Double Y car is a brick wall. In preparation for this negative reaction. Double Jeopardy has hired the best law firm in Washington. The lawyer calls his friends at Justice and says he is shocked that the auto safety agency would pick on an American car firm just as the economy is starting to shape up. He offers to meet with the Justice Department lawyer to work out an equitable solution. They make a date for a golf game at the Burning Tree Club."

"It sounds so civilized," I said. "It is. Usually by the ninth hole an agreement can be hammered out. In the case of the Double Y car, the Justice man says, because of the publicity, he can't look the other way and Double Jeopardy will have to be fined and go ahead with a recall.

"The lawyer for the company says this is all right with him, providing Double Jeopardy doesn't have to admit there is anything wrong with the car.

"The Justice Department lawyer says he is sure he can get the auto safety agency to agree to the stipulation, providing Double Jeopardy promises not to do it again."

"This is where I always get confused," I said. "Double Jeopardy agrees with the government there is car, but doesn't have to admit it to

its customers. My lawyer friend said, "That's because you don't understand how the government and big business work. The government's job is to protect the consumer; the company's job is to protect their sales. As long as both sides sign an agreement that they know the company safety people get wind of it and, botched, the law is satisfied with-after testing the vehicle for two out admitting it, and no one really years, come to the conclusion that gets hurt."

## Chinese Pianist Resumes His Interrupted Career

By Harold C. Schonberg

New York Times Service TEW YORK - Yin Cheng-L. Zong, who gave a Carnegie Hall piano recital on Sept. 28, comes from the People's Republic of China, and was briefly in the news in 1973, when the Philadelphia Orchestra - the first American orchestra ever to appear on the Chinese mainland — gave concerts in Beijing and Shanghai. Eugene Ormandy wanted to put come Chinese music on his program. But Chairman Mao was alive, the Cultural Revolution was still in progress, and there was not much to choose from. So, faute de mieux, the "Yellow River" Concerto was selected. Remember the "Yellow River"

Concerto? It did have a brief vogue 10 years ago. It was one of those awful ideologically approved pieces of socialist-realism propaganda, but it was so bad it actually had kitsch value, and it did have a glittering and rather difficult piano part. Yin was the pianist selected by Ormandy to play it. That was only right, for Yin was one of the committee of composers who had written it. Another musician took care of the orchestration, a third of the ideological content, and there was a fourth mysterious presence who contributed something or other.

Anyway it was clear at the rehearsals that Yin was no ordinary pianist. He blazed through the piano part with utter abandon and virtuosity. Too much abandon at times. Ormandy kept trying to hold him to a steady rhythm. "Look at me! Look at me!" he kept pleading. "Follow my beat! Don't jump ahead!" Yin would say yes, then get excited and forge ahead. After the last rehearsal Yin soulfully gave Ormandy a promise. "I will look at you. I will look at you." Which he did, and the

performances went splendidly. It turned out that Yin had been a child prodigy, had studied in China with Russian teachers, had been sent to Leningrad for intensive study, had won a competition in Vienna and come in second at the 1962 Tchaikovsky competi-

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tion in Moscow, had done a bit of and went to have my first lesson

concertizing.
Yin's recital consisted of Scarlatti, the Mozart Sonata in C (K. 330), Beethoven's "Appassionata" and the Liszt B minor, and Bernard Holland, in The New York Times, wrote that he showed an acute and not at all self-conscious understanding of European classical style," that his performance of the Liszt sonata "taken on its own theatrical terms, worked very well."

What happened was that Ormandy told the concert manager Harold Shaw about Yin, Shaw flew to San Francisco, where Yin was staying with relatives, heard him play and signed him to a three-year contract. For Shaw, Yin wrote a little autobiographical sketch, the first paragraph of which is certainly arresting

"I was born in 1941 in Pakien, a southern province of China. My home town was a very small island called Goolangyu in the East China Sea. It belongs to the big city of Amoy. It is famous as a 'musical island.' My parents were not musical, but all my sisters and brothers liked music very much. My father, according to Chinese custom at that time, had two wives. My mother had 10 children. The other wife had five. I am the eighth child of my moth-

Yin goes on to tell about his half-brothers and half-sisters. All studied in the United States about 50 years ago. The youngest half-brother, who is 77, now lives in California, But Yin's mother, now 76, still lives in her home town. Several of Yin's half-brothers and half-sisters became professional musicians. As a child, Yin sang in churches, started piano around the age of 6 and sought competent teachers.

"In our home," he writes, "there were too many children and not enough money for me to be able to study piano. But I wanted so much to study that I helped the other mother set out her shoes, and she gave me two U.S. dollars and I took one dollar with the wife of the pastor." Set out her shoes?

Yin explained the other week. The other mother had money. Indeed, she was rich. She owned many shoes. So young Cheng-zong would carefully arrange the footwear, for which he got \$2. Of that, \$1 went for four lessons a month. The other half of the money was spent for sheet music. Things progressed. At 9, Cheng-zong gave his first recital. "I played well, selecting Schubert's 'Marche Militaire' and Screnade, a Chopin waltz, Paderewski's Minuet and also my own compositions. The high school auditorium was sold out. I carned money

toward the mition of my brothers

and sisters.

He clearly was talented, and was admitted to the Shanghai Conservatory, where he not only studied piano but also sang Schubert songs to his own accompaniments. He worked with a Russian teacher and, in 1959, won first prize at the World Youth Festival in Vienna. In 1960, he graduated from the Shanghai Conservatory and was sent to Leningrad. After taking second prize at the 1962 Tchaikovsky competition he toured the Soviet Union. In 1963 he returned to China, joined the Central Philharmonic Society as soloist, and has held that position ever since.

Some Chinese musicians had a terrible time during the Cultural Revolution. Yin was one of the lucky ones. He was not sent to a rehabilitation or labor camp. Instead he played in many Chinese cities. But it was not Western music that he played. Three or four ideologically approved works — the "Yellow River" Concerto was one - and some transcriptions of Chinese music that he himself composed were all that he was allowed to play. He met a pianist and married her in 1976. They have a daughter. Wife and child are with Yin in New York. Mrs. Yin is studying with Robert Goldsand at the Manhattan School of Music.

But she got here before Yin, arriving in 1980. Under the cur-

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Pianist Yin: No more "Yellow River Concertos.

rent Chinese administration, some talented young people are permitted to leave the country for study abroad. It was not until last March that Yin reached California. He secured a working permit that allows him to stay in the United States for three years.

He got here late in the season and thus was not able to hear many concerts. But he did hear Alicia de Larrocha at a Mostly Mozart concert, and loved every note of it. Then he heard Magda Tagliaferro, the venerable Brazilian-French pianist, and was so impressed by the elegance of her style that he sought her out, played for her and got a few les-

He is not entirely unsophisticated musically, even though a good chunk of his professional life was removed during the Cul-tural Revolution. In Russia he went to some kind of musical event every night — the opera, concerts, chamber music and symphony. He heard the greatest of Soviet artists and was especially impressed — as who is not? — by Emil Gilels and Sviatoslav Richter. He collected all of the Horowitz records he could get his hands on. He heard Arturo Benedetti Michelangeli, whom he regards as one of the world's supreme pianists.

William Sauro/The New York Times basically Russian, and that could

not be otherwise considering his

training. But, he says, he also

brings to his Russian style "a

background of 5,000 years of Chi-

nese history," and he thinks that that must have some bearing on

his musical philosophy. Basically, of course, he recognizes himself as a Western pianist who has a good deal of catching-up to do. For about 10 years during the Cultural Revolution he had to play the same silly pieces over and over again, trying to sneak a few hours here and there to practice his own repertory. Not until 1980 was he allowed to brush up, and he did play a few concertos in China and, later, in Japan — the Rachmaninoff Second and Third, the Liszt Second

and other virtuoso fingerbreakers. The curious thing is that for a well-built man, Yin has surprisingly small hands. But the spread between thumb and index finger is wide, and he has unusually long little fingers. Thus he can squeeze out a tenth when he has to. "My hand seems to be growing," he grinned. "Only a few years ago I had a very small stretch. Now I can play all sections of the Rachmaninoff Third." With his Carnegie Hall recital behind him, perhaps the United States will be hearing how he handles the Rachmaninoff and the other music be so dearly wants to play.

#### **PEOPLE**

Winds and Snow Delay U.S. Climb of Everest

Jet streams of more than 50 miles an hour lashing Mount Everest's summit and two days of heavy snowfall forced a U.S. team to postpone its final assault on the peak of the world's highest mountain, the Ministry of Tourism said in Katmandu. The U.S. expedition is trying to place the first American woman atop the 29,028-foot peak in the Himalayas and to complete the first autumn conquest via the treacherous western ridge. "As soon as the weather improves the team will again start their summit attack," the ministry said, quoting base camp reports dated Monday. The expedition began its climb Aug. 24. Todd Bibles, 31, from Boulder, Colorado, and a Sherpa, Ang Jangbu, 21 — chosen as the first team members to make a summit bid - have been in their tents at the team's 27,200-foot camp waiting for winds and snowfall to subside. Three of the team's five women climbers plan to scale the peak in a second and third ascent team, the ministry said.

A 12-year-old girl who has never received a formal classroom education became Britain's youngest university student Wednesday. Rath Lawrence, whose father quit his computer job to teach his daughter himself when she was 5, started studying mathematics at the all-female St. Hugh's College in Ox-ford. Ruth said she wants to be a math professor at Cambridge University when she grows up. She beat 530 candidates aged 17 and 18 to rank first in the college's entrance exam. Prince Hiro, 23, of Japan, second in line to Emperor Hirobito's throne, took up residence at Merton College in Oxford University Tuesday to start studying for an advanced degree in history.

The Nansen Medal for outstanding service to the cause of refugees was awarded to President Julius Nverere of Tanzania in a ceremony at the European headquarters of the United Nations in Geneva. The UN high commissioner for refugees, Poul Hartling, said Tanzania had cared for "hundreds of thousands" of refugees over the last two decades. Many returned to their home countries after they became independent, but an estimated 200,000 have been absorbed into the host population, he said.

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